1981–82 MISCELLANEOUS TAX BILLS, XI

HEARING

BEFORE THE

SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT

OF THE

COMMITTEE ON FINANCE UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

ON

S. 1035, S. 1595, and S. 1745

OCTOBER 30, 1981

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1981-82 MISCELLANEOUS TAX BILLS, XI

FRIDAY, OCTOBER 30, 1981

U.S. SENATE,
COMMITTEE ON FINANCE,
SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT,
Washington, D.C.

The subcommittee met, pursuant to notice at 9:30 a.m. in room 2221, Dirksen Senate Office Building, Hon. Bob Packwood [chairman of the subcommittee] presiding.

Present: Senators Packwood, Armstrong, Bentsen, Matsunaga, and Grassley.

Senator PACKWOOD. Senator Stevens, why don't you go ahead.

[The committee press release; the bills S. 1035, S. 1595 and S. 1745; the Joint Committee on Taxation's explanation of these bills follow:]

[Press Release No. 81-170, Oct. 19, 1981]

FINANCE SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT SETS HEARING ON FOUR MISCELLANEOUS TAX BILLS

Senator Bob Packwood, Chairman of the Subcommittee on Taxation and Debt Management of the Senate Committee on Finance, announced today that the Subcommittee will hold a hearing on four miscellaneous tax bills on October 30, 1981.

The hearing will begin at 9:30 a.m. in Room 2221 of the Dirksen Senate Office Building.

The following pieces of legislation will be considered.

S. 743.—Introduced by Senator Leahy. Would exempt the General Education Fund, Inc. of Burlington, Vermont from certain excise taxes imposed on private foundations.

S. 1035.—Introduced by Senator Mathias. Would permit taxpayers to make contributions to the National Endowment for the Arts or National Endowment for the Humanities of additional payments and overpayments shown on Federal income tax returns.

S. 1595.—Introduced by Senator Inouye. Would permit taxpayers to contribute one dollar to the United States Olympic Committee from additional payments and overpayments shown on Federal income tax returns.

S. 1745.—Introduced by Senator Armstrong. Would exempt certain private foundations from the application of the divestiture requirements for excess business holdings.

Requests to testify.—Witnesses who desire to testify at the hearing must submit a written request to Robert E. Lighthizer, Chief Counsel, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C. 20510, to be received no later than the close of business on Friday, October 23, 1981. Witnesses will be notified as soon as practicable thereafter whether it has been possible to schedule them to present oral testimony. If for some reason a witness is unable to appear at the time scheduled, he may file a written statement for the record in lieu of the personal appearance. In such a case, a witness should notify the Committee of his inability to appear as soon as possible.

Consolidated testimony.—Senator Packwood urges all witnesses who have a common position or who have the same general interest to consolidate their testimony and designate a single spokesman to present their common viewpoint orally to the Subcommittee. This procedure will enable the Subcommittee to receive a wider

expression of views than it might otherwise obtain. Senator Packwood urges that all witnesses exert a maximum effort to consolidate and coordinate their statements.

Legislative Reorganization Act.—Senator Packwood stated that the Legislative Reorganization Act of 1946, as amended, requires all witnesses appearing before the Committees of Congress "to file in advance written statements of their proposed testimony, and to limit their oral presentations to brief summaries of their argument."

Witnesses scheduled to testify should comply with the following rules:

(1) All witnesses must submit written statements of their testimony.

(2) Written statements must be typed on letter-size paper (not legal size) and at least 100 copies must be delivered not later than noon on Thursday, October 29, 1981.

(3) All witnesses must include with their written statements a summary of the principal points included in the statement.

(4) Witnesses should not read their written statements to the Subcommittee, but ought instead to confine their oral presentations to a summary of the points included in the statement.

(5) Not more than five minutes will be allowed for the oral summary.

Written statements.—Witnesses who are not scheduled to make an oral presentation, and others who desire to present their views to the Subcommittee, are urged to prepare a written statement for submission and inclusion in the printed record of the hearing. These written statements should be typewritten, not more than 25 double-spaced pages in length, and mailed with five (5) copies to Robert E. Lighthizer, Chief Counsel, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C. 20510, not later than Friday, November 20, 1981. On the first page of your written statement please indicate the date and subject of the hearing.

[Press Release No. 81-170, Revised, Oct. 26, 1981]

FINANCE SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT POSTPONES CONSIDERATION OF S. 743

Senator Bob Packwood, Chairman of the Subcommittee on Taxation and Debt Management of the Senate Committee on Finance, announced today that the Subcommittee will *not* consider S. 743 at its hearing scheduled for October 30, 1981 as previously announced.

Testimony on S. 1035, S. 1595, and S. 1745 will still be heard beginning at 9:30 a.m. on October 30, in Room 2221 of the Dirksen Senate Office Building.

[S. 1035, 97th Congress, 1st session]

A BILL To provide an opportunity to individuals to make financial contributions in connection with the payment of their Federal income tax, for the advancement of the arts and the humanities

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. PURPOSE

It is the purpose of this Act to augment existing financial support for the Nation's arts and humanities activities through private individual and corporate taxpayer contributions.

SECTION 2. DEFINITIONS

For purposes of this Act—

(1) STATE ARTS AGENCY.—The term "State arts agency" means the agency designated under paragraph (2) of section 5(g) of the National Foundation on the Arts and the Humanities Act of 1965.

(2) STATE VOLUTARY COUNCIL.—The term "State voluntary coucil" means the agency designated under paragraph (2) of section 7(f) of the National Foundation on the Arts and the Humanities Act of 1965.

(3) STATE.—The term "State" has the meaning given such term by section 3(g) of the National Foundation on the Arts and the Humanities Act of 1965.

SECTION 3. DESIGNATION OF CONTRIBUTION BY TAXPAYER

(a) IN GENERAL.—With respect to each taxpayer's return for the taxable year of the tax imposed by chapter 1 of the Internal Revenue Code of 1954, such taxpayer may elect to have—

(1) any portion of any overpayment of such tax for such taxable year, or

(2) any contribution in money which the taxpayer forwards with the return for such taxable year,

be available, as the taxpayer may designate on such return for—

(A) the Nation Endowment for the Arts;

(B) the National Endowment for the Humanities; or

(C) both such endowments equally.

(b) NOTIFICATION ON RETURN FORMS.—The Secretary of the Treasury or his delegate shall provide that the tax return forms for the tax imposed by chapter 1 of the Internal Revenue Code of 1954 will fully inform each taxpayer of the opportunity the taxpayer has of making a contribution as described in subsection (a) and the purposes for which such contributions will be used. Space shall be made available on the first page of such returns for the designations referred to in subsection (a).

(c) TREATMENT AS OVERPAYMENT.—For purposes of the Internal Revenue Code of 1954, any overpayment of tax designated under subsection (a) shall be treated as being refunded to the taxpayer as of the date prescribed for filing of the return of such tax (disregarding any extensioin) or, if later, the date the return is filed.

(d) EFFECTIVE DATE.—The provisions of this section shall apply with respect to taxable years beginning after December 31, 1981.

SECTION 4. TRANSFER TO ENDOWMENTS AND TO STATE AGENCIES

(a) TRANSFER TO ENDOWMENTS.—

(1) IN GENERAL.—Overpayments and contributions designated under section 3(a) shall be transferred at least quarterly to the National Endowment for the Arts and the National Endowment for the Humanities, in the amounts designated to each.

(2) USE FOR ADMINISTRATIVE EXPENSES.—Amounts tranferred under paragraph (1) may not be used by either Endowment to meet expenses arising from the administration of this Act or the National Foundation on the Arts and the Humanities Act of 1965.

(b) TRANSFER TO STATE AGENCIES.—

(1) IN GENERAL.—Of the amounts transferred under subsection (a)—

(A) the National Endowment for the Arts shall transfer all amounts received by it to State art agencies, and

(B) the National Endowment for the Humanities shall transfer all amounts received by it to State voluntary councils.

(2) SPECIAL RULES RELATING TO TRANSFER.—

(A) Each Endowment shall establish criteria for determining the amount transferred to each State arts agency or State voluntary council, which ever is appropriate.

(B) Any amount transferred under this subsection shall be treated as donations received from private persons and not Federal assistance.

SECTION 5. USE OF FUNDS BY STATE AGENCIES

(a) IN GENERAL.—Amounts transferred to State arts agencies and State voluntary councils shall be used to provide grants for eligible projects or productions, or humanities activities, within the State.

(b) FIFTY PERCENT MATCHING REQUIREMENT.—No grant shall be made under this section for any project unless the State (from any source) matches 50 percent of the assistance to be provided under this section for such project.

(c) THIRTY PERCENT LIMIT IN CERTAIN CASES.—The total amount of any grant under this section shall not exceed 30 percent of the cost of any project for which an admission or other charge is made to the general public.

(d) ADMINISTRATIVE EXPENSES.—No amount may be used to pay for the administrative expenses of any State arts agency or State voluntary council, whether or not arising under this Act.

SECTION 6. GENERAL PROVISIONS

(a) NO GRANTS TO ENDOWMENT FUNDS.—Funds provided under this Act may not be used for purposes of making grants to an endowment fund of any institution or otherwise for purposes of being held for investment.

(b) ADMINISTRATIVE PROVISIONS.—If the Chairman of either Endowment after reasonable notice and opportunity for hearing, determines that any State arts agency or any State voluntary council, as the case may be, is not using funds provided under this Act substantially in accordance with the provisons of this Act, then such Chairman may take such action as may be necessary (including suspension or termination of transfers under this section or requiring repayment) to insure that the requirements of this Act are met.

(c) NO EFFECT ON APPROPRIATIONS.—Any amount transferred under section 3 of this Act to the National Endowment for the Arts or the National Endowment for the Humanities, as the case may be, shall not affect the amount which would otherwise be appropriated to such Endowment under any other provision of law for purposes of carrying out section 5(c) or 7(c) of the National Foundation on the Arts and the Humanities Act of 1965.

[S. 1595, 97th Congress, 1st session]

A BILL To provide for the designation of income tax payments to the United States Olympic Development Fund

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "United States Olympic Development Fund Checkoff Act of 1981".

SEC. 2. (a) With respect to each taxpayer's return of the taxable year of the tax imposed by chapter 1 of the Internal Revenue Code of 1954, such taxpayer may designate that either—

(1) $1 of any overpayment of such tax for such taxable year, or

(2) $1 of any contribution which the taxpayer forwards in money with such return,

be available to the United States Olympic Development Fund established by section 3 of this Act.

(b) In the case of a joint return of husband and wife, each spouse may designate that $1 be available to the fund under subsection (a).

(c) Space shall be made available for the designations referred to in subsection (a) on the first page of the tax return forms for such tax.

(d) For purposes of the Internal Revenue Code of 1954, any overpayment of tax designated under subsection (a) shall be treated as being refunded to the taxpayer as of the date prescribed for filing the return of such tax (disregarding any extension), or, if later, the date the return is filed.

(e) This section shall apply to taxable years ending after the date of enactment of this Act.

SEC. 3. (a) There is hereby established on the books of the Treasury of the United States a special fund to be known as the "United States Olympic Development Fund". There is appropriated to the fund for each fiscal year, out of amounts in the general fund of the Treasury not otherwise appropriated, an amount equal to the amount designated during such fiscal year to be available to the fund under section 2 of this Act. The amounts appropriated by this subsection shall be transferred monthly to the fund by the Secretary of the Treasury.

(b) The Secretary of the Treasury shall pay to the United States Olympic Committee each fiscal year an amount equal to the amounts transferred to the United States Olympic Development Fund under subsection (a) during that fiscal year.

(c) The United States Olympic Committee shall use such funds to carry out a program for the expansion and improvement of amateur athletics in the United States so that all Americans (including women, minorities, the aged and the handicapped) are able to participate in althletic endeavors. Such funds shall remain available to the United States Olympic Committee without fiscal year limitation.

(d) Within 120 days after the close of each fiscal year, the United States Olympic Committee shall submit a report to the President's Council on Physical Fitness and Sports with respect to the expenditure of funds made available under this section. Such report shall include, but not be limited to—

(1) a listing of the major programs with respect to which funds were expended during such fiscal year,

(2) the amount of money, and percentage of total money available, expended on each such program during such fiscal year, and

(3) any recommendations the United States Olympic Committee may have with respect to future expenditures of such funds.

(e) Within 120 days after receipt of the report submitted under subsection (d), the President's Council on Physical Fitness and Sports shall prepare and submit to the Congress an evaluation of the effectiveness of the expenditure of funds by the

United States Olympic Committee for the fiscal year covered by such report. Such report shall include recommendations deemed necessary by the Council with respect to the expenditures of funds by the United States Olympic Committee, including its recommendations with respect to the continuance, modification or discontinuance of the providing of funds to the United States Olympic Committee under this section.

[S. 1745, 97th Congress, 1st session]

A BILL To amend the Tax Reform Act of 1969 with respect to the application of the excess business holding provisions to private foundations

Be it enacted by the Senate and House of representatives of the United States of America in Congress assembled. That section 101(l)(4) of the Tax Reform Act of 1969 is amended by adding at the end thereof the following new subparagraph:

"(D) the divestiture requirements of section 4943 of the Internal Revenue Code of 1954 shall not apply to any private foundation which meets the following conditions:

"(i) The private foundation owned 100 percent of the voting stock in an incorporated business enterprise on May 26, 1969.

"(ii) The stock described in clause (i) was acquired by the foundation solely by gift, devise, or bequest before December 31, 1966.

"(iii) Neither the donor of such stock nor any member of his family (within the meaning of section 4946(d) of such Code) is a manger of such foundation (as defined in section 4946(b) of such Code) on or after December 31, 1956.

"(iv) The business enterprise described in clause (i) on May 26, 1969, and at all times thereafter is of substantially the same character as the enterprise which was conducted by such incorporated business on the date of the last gift, devise, or bequest of such stock by any donor or member of his family.

For purposes of this subparagraph, a business holding owned by a private foundation through a holding company all the voting stock of which is owned directly by the foundation on the dates designated by this subparagraph shall be treated as being owned directly by the foundation for these purposes. This subparagraph shall apply to the private foundation only if the foundation does not acquire any stock or other interest in any business enterprise on or after May 26, 1969, which would otherwise constitute excess business holdings under section 4943 of such Code.".

DESCRIPTION OF TAX BILLS
(S. 1035, S. 1595, and S. 1745)
SCHEDULED FOR A HEARING
BEFORE THE
SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT
OF THE
COMMITTEE ON FINANCE
ON OCTOBER 30, 1981

PREPARED FOR THE USE OF THE
COMMITTEE ON FINANCE

INTRODUCTION

The bills described in this pamphlet have been scheduled for a public hearing on October 30, 1981, by the Senate Finance Subcommittee on Taxation and Debt Management.

There are three bills scheduled for the hearing: S. 1035 (relating to income tax checkoff for contributions to the arts), S. 1595 (relating to income tax check off for the United States Olympic Committee), and S. 1745 (relating to exemption from divestiture requirements for the El Pomar Foundation).

The first part of the pamphlet is a summary of the bills. This is followed by a more detailed description of the bills, including present law, issues, explanation of provisions, effective dates, and estimated revenue effects.

I. SUMMARY

1. S. 1035—Senator Mathias

Income Tax Checkoff for Contributions to the Arts

Under present law, individuals (other than nonresident aliens) may designate by checkoff on their income tax return that $1 of their income tax liability for the year is to be paid over to the Presidential Election Campaign Fund. The bill would provide a checkoff on income tax returns under which taxpayers could designate that any portion of a tax refund for the year or any cash contribution forwarded by the taxpayer with the return be paid to the National Endowment for the Humanities and the National Endowment for the Arts for distribution to State art agencies and State voluntary councils.

Unlike the Presidential Election Campaign Fund checkoff, where the contribution to the Fund is paid from the individual's income taxes, the bill's checkoff system would permit a voluntary contribution which would be in addition to any income taxes paid by the taxpayer.

2. S. 1595—Senators Inouye and Stevens

United States Olympic Development Fund Checkoff Act of 1981

Under present law, individuals (other than nonresident aliens) may designate by checkoff on their income tax return that $1 of their income tax liability for the year is to be paid over to the Presidential Election Campaign Fund. The bill would establish the United States Olympic Development Fund and provide a checkoff on income tax returns under which taxpayers could designate that either $1 of any tax refund for the year or $1 of cash contribution forwarded by the taxpayer with the return be paid into the Fund for use by the United States Olympic Committee to promote amateur athletics in the United States.

Unlike the Presidential Election Campaign Fund checkoff, where the contribution to the Fund is paid from the individual's income taxes, the bill's checkoff system would permit a voluntary contribution which would be in addition to any income taxes paid by the taxpayer.

3. S. 1745—Senators Armstrong and Hart

Exemption from Divestiture Requirements of Excess Business Holdings Provision for the El Pomar Foundation

The bill would exempt the El Pomar Foundation of Colorado Springs, Colorado, from the divestiture requirements of the excess business holdings provision imposed on private foundations by the Tax Reform Act of 1969.

II. DESCRIPTION OF BILLS

1. S. 1035—Senator Mathias

Income Tax Checkoff for Contributions to the Arts

Present law

Under present law (sec. 6096), individuals (other than nonresident aliens) may designate by checkoff on their income tax return that $1 of their income tax liability for the year is to be paid over to the Presidential Election Campaign Fund. In the case of a joint return, each spouse may designate $1 to be paid to the Fund.

Present law provides no means by which a taxpayer, when filing a return, may include a cash contribution in addition to any tax due and designate on the return that the contribution is to be applied toward a particular government program. Similarly, present law does not enable a taxpayer to designate on a return that a refund due the taxpayer is instead to be applied toward a particular government program.

Contributions made to the Federal Government or to a State or local government exclusively for public purposes or to certain charitable organizations are allowed as a deduction to the taxpayer under the rules for charitable contributions and gifts (sec. 170).

Issues

The issue is whether taxpayers should be able to make contributions for the advancement of the arts or humanities through a checkoff on the taxpayer's Federal income tax return. A related issue is what effect will such a checkoff have on the administrative burdens of the Internal Revenue Service and upon the complexity of tax returns.

Explanation of the bill

Taxpayer contributions

Under the bill, any taxpayer (an individual, corporation, etc.) who files an income tax return could elect to have any portion of a refund due the taxpayer paid instead to the National Endowment for the Arts, the National Endowment for the Humanities, or both Endowments equally. In addition, a taxpayer could forward with an income tax return a cash contribution to be paid to either Endowment or to both Endowments equally.

Under the bill, a refund contributed to an Endowment pursuant to a taxpayer's designation on a return would be treated as an amount refunded to the taxpayer on the date prescribed for filing the return (or the date the return is actually filed, if later).

The bill requires that all income tax return forms fully inform taxpayers of the opportunity to make a contribution to the Endowments and the purposes for which the contribution will be used. Space is

to be made available on the first page of each form for taxpayers to designate their contributions.

Unlike the Presidential Election Campaign Fund checkoff, where the contribution to the Fund is paid from the individual's income taxes, the bill's checkoff system would permit a voluntary contribution which would be in addition to any income taxes paid by the taxpayer. Amounts contributed to the Endowments would be treated as donations from private persons and not Federal assistance and would not reduce the amount of Federal assistance to which the Endowments are otherwise entitled.

Transfers to Endowments and State agencies

Under the bill, taxpayer contributions are to be transferred at least quarterly to the National Endowment for the Arts and the National Endowment for the Humanities. The National Endowment for the Arts is to transfer all contributions received by it to State art agencies, and the National Endowment for the Humanities is to transfer its contributions to State voluntary councils. The Endowments are to establish criteria for determining the amount transferred to each State agency or council. No taxpayer contributions could be provided for a project unless the State (from any source) matches at least 50 percent of the amount to be provided from contributions. Also, the total amount provided from taxpayer contributions could not exceed 30 percent of the cost of any project for which an admission or other charge is made to the public.

Taxpayer contributions could not be used by the Endowments or by State agencies or councils to pay administrative expenses. In addition, taxpayer contributions could not be used for grants to an institution's endowment fund or otherwise be held for investment.

Effective date

The provisions of the bill would apply with respect to taxable years beginning after December 31, 1981.

Revenue effect

It is estimated that this bill would have no direct effect on budget receipts. However, enactment of the bill would impose additional administrative burdens on the Internal Revenue Service which could increase budget outlays or reduce budget receipts through lower audit activity, or both.

2. S. 1595—Senators Inouye and Stevens

United States Olympic Development Fund Checkoff Act of 1981

Present law

Under present law (sec. 6096), individuals (other than nonresident aliens) may designate by checkoff on their income tax return that $1 of their income tax liability for the year is to be paid over to the Presidential Election Campaign Fund. In the case of a joint return, each spouse may designate $1 to be paid to the Fund.

Present law provides no means by which a taxpayer, when filing a return, may include a cash contribution in addition to any tax due and designate on the return that the contribution is to be applied toward a particular government program. Similarly, present law does not enable a taxpayer to designate on a return that any refund due the taxpayer is instead to be applied toward a particular government program.

Contributions made to the Federal Government for exclusively public purposes or to certain charitable organizations are allowed as a deduction to the taxpayer under the rules for charitable contributions and gifts (sec. 170).

Issues

The issue is whether a checkoff system should be established under which taxpayers could designate on their income tax returns that either $1 of any refund due the taxpayer or $1 of cash contribution included with the return is to be made available to the United States Olympic Committee to promote the expansion and improvement of amateur athletics in the United States. A related issue is what effect will such a checkoff have on the administrative burdens of the Internal Revenue Service and upon the complexity of tax returns

Explanation of the bill

Taxpayer contributions

The bill would establish the United States Olympic Development Fund and provide a system for taxpayers to make contributions to the Fund by making an election on income tax returns. Any taxpayer (an individual, corporation, etc.) who files an income tax return could make an election on the first page of the return to (1) have $1 of any overpayment of tax for the year, which would otherwise be refunded to the taxpayer, paid instead to the United States Olympic Development Fund, or (2) have $1 of cash contribution forwarded by the taxpayer with the income tax return paid to the Fund. In the case of a joint return, each spouse could designate that $1 be available to the Fund under the election.

Unlike the Presidential Election Campaign Fund checkoff, where the contribution to the Fund is paid from the individual's income

taxes, the bill's checkoff system would permit a voluntary contribution which would be in addition to any income taxes paid by the taxpayer.

Under the bill, a $1 refund contributed to the Fund pursuant to the taxpayer's designation on a return would be treated as an amount refunded to the taxpayer on the date prescribed for filing the return (or the date the return is actually filed, if later).

Transfers to the Fund

The bill would establish the United States Olympic Development Fund as a special fund in the Treasury of the United States. Appropriations would be made to the Fund equal to the amount designated during the fiscal year as being available under the checkoff system. Under the bill, the amounts appropriated would be transferred monthly to the Fund and would be paid each fiscal year to the United States Olympic Committee by the Secretary of the Treasury. The Olympic Committee would be able to use the funds to carry out a program for the expansion and improvement of amateur athletics in the United States to encourage all Americans (including women, minorities, the aged and the handicapped) to participate in athletic endeavors. The funds would remain available to the Olympic Committee without fiscal year limitation.

The United States Olympic Committee would be required to submit a report each year (within 120 days after the end of the fiscal year) to the President's Council on Physical Fitness and Sports with respect to the expenditure of funds made available from the Olympic Development Fund. The President's Council would then be required (within 120 days after receipt of the Olympic Committee's report) to submit a report each year to Congress evaluating the effectiveness of the expenditure of these funds. The Council's report would also include any recommendations regarding such expenditures or with respect to the Fund.

Effective date

The provisions of the bill would apply to taxable years ending after the date of enactment.

Revenue effect

It is estimated that this bill would have no direct effect on budget receipts. However, enactment of the bill would impose additional administrative burdens on the Internal Revenue Service which could increase budget outlays or reduce budget receipts through lower audit activity, or both.

3. S. 1745—Senators Armstrong and Hart

Exemption From Divestiture Requirements of Excess Business Holdings Provision for the El Pomar Foundation

Present law

The Tax Reform Act of 1969 imposed an excise tax upon the excess business holdings of a private foundation (sec. 4943). Generally, under the excess business holdings provisions, the combined ownership of a business by a private foundation and all disqualified persons cannot exceed 20 percent of the voting stock of the business (35 percent if other persons have effective control of the business).

The 1969 Act provided that if a private foundation and disqualified persons together had holdings on May 26, 1969 in excess of the permitted amounts under the general rules, then those holdings could be retained if they consisted of not more than 50 percent of the business. If the combined holdings exceeded 50 percent of the business on that date, then over a transitional period the combined holdings have to be reduced to 50 percent (ultimately to 35 percent if the disqualified persons hold, in the aggregate, no more than 2 percent of the business; if they hold more than 2 percent, then the combined holdings may continue to be as much as 50 percent, of which the foundation itself may hold no more than 25 percent).

Issue

The issue is whether the El Pomar Foundation, of Colorado Springs, Colorado, should be exempt from the divestiture rule of the excess business holdings requirements of the Tax Reform Act of 1969.

Explanation of the bill

The bill would provide that the divestiture requirements of the excess business holding provisions (sec. 4943) would not apply to a private foundation which meets the following conditions: (1) the foundation owned (directly or through a holding company) 100 percent of the voting stock in an incorporated business enterprise on May 26, 1969; (2) the stock in the business enterprise was acquired by gift, devise, or bequest before December 31, 1966; (3) neither the donor nor any of the members of his family was a foundation manager on or after December 31, 1956; (4) the enterprise operates the same business on May 26, 1969, and all times thereafter as it did on the date of the last gift, devise, or bequest by any donor of any stock in the business enterprise; and (5) the foundation does not acquire on or after May 26, 1969, any business enterprise that would constitute excess business holdings.

It is understood that the intended beneficiary of the bill is the El Pomar Foundation of Colorado Springs, Colorado. However, any private foundation that meets the requirements of the bill would qualify for exemption from the divestiture rules.

Effective date

The provisions of the bill would be effective on the date of enactment.

Revenue effect

It is estimated that this bill would have no effect on budget receipts during the next five fiscal years, assuming that the divestiture does not take place during this period. After divestiture, the budget receipts would be affected, but it is impossible to estimate in what way they would be affected and when the impact on budget receipts would occur.

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STATEMENT OF HON. TED STEVENS, U.S. SENATOR FROM THE STATE OF ALASKA

Senator STEVENS. Thank you, Mr. Chairman. I appreciate your courtesy and ask that my statement be printed in full in the record.

Senator PACKWOOD. It will be.

[The prepared statement follows:]

PREPARED STATEMENT OF SENATOR TED STEVENS

Thank you, Mr. Chairman. I'm pleased to appear before the committee today to discuss a matter of great importance to our nation: maintaining and improving the vitality of Olympic and amateur sports in America. I would especially like to thank the distinguished chairman for scheduling a hearing on S. 1595. Senator Inouye and I have worked on this legislation since 1979, and this is the first opportunity we have had to explore its merits with the Finance Committee.

The idea we are presenting before the committee today is a very simple one. We would like to give the American people the opportunity to target one dollar of their tax refund to a United States Olympic Development Fund. Additionally, taxpayers who are not due a refund could simply donate one dollar to the development fund by way of their tax return. The fund would then be used by the Olympic Committee to carry out a program for the expansion and improvement of amateur athletics in the United States. The notion that the USOC should have this function is one embedded in law by the Amateur Sports Act of 1978. In that Act, the USOC is given by the Congress fourteen separate goals and functions. When they are all combined, it's clear that Congress meant that the USOC be the national organization primarily responsible for promoting and improving amateur athletics at all levels of participation and competition.

Unfortunately, Mr. Chairman, with all these new responsibilities it's no wonder that during the last USOC quadrennial period the 55 million dollars they raised from the public and private sectors was insufficient to meet their obligations. This lack of funding necessitated the closing of the Olympic training center at Squaw Valley, California.

Mr. Chairman, other witnesses here will go over in fine detail the tremendous effort the USOC has been attempting to put forth, and how it has been hamstrung by the development vehicles available to it to achieve its mandated goals. I know my colleagues will be impressed by how much the USOC has done considering what has been available to them. I'm also sure they will ask, as the Treasury does, why it is necessary to allow the American people to target overpayment revenue to the Olympic effort. Mr. Chairman, it is not necessary, but it is extremely desirable. Senator Inouye and I have studied the matter carefully, and we strongly feel that this is the single best way to ensure that our Olympic and amateur sports efforts are strong, consistent and ongoing.

The arguments against this proposal really don't center around its revenue impact since the funds would come from overpayment revenue. The cost to the government would be only in administrative costs. Also, there's no question that there is a need—President Ford's Commission on Olympic Sports estimated the need of amateur sports in the United States at $215 million, in 1976 dollars, and a continuing need of $83 million annually. Since that time prices have risen 62 percent, and the USOC's budget for the 1980–1984 quadrennium is only $71.2 million.

Mr. Chairman, the core objection seems to be one of the "floodgate" variety. It's no secret that the Treasury Department looked with disfavor upon the Presidential Checkoff Fund. I'm sure they were even surprised to find just how generous and understanding Americans can be, even to the sometimes questionable lot of Presidential politicians. In 1979 Americans targeted almost $45 million of their tax payments to this fund. If the politicians can get that much support, Mr. Chairman, I'm sure you can see how popular the Olympics would be with Americans on their 1040 forms.

Now I should point out that there is a distinct difference between this checkoff fund and the Presidential Checkoff Fund. The Presidential Checkoff Fund neither increases a taxpayer's tax nor decreases a taxpayer's refund. The Olympic Checkoff Fund would decrease a taxpayer's refund by one dollar. In 1978 the Treasury

returned about $33 billion in refunds to Americans. I believe that many Americans would enthusiastically contribute one dollar of their refunds to the USOC.

The argument goes, why not allow other popular or worthwhile causes on the 1040 form? That is, once you allow this, the floodgates will open to other charities in our country deserving of our attention and support. However, there are several major distinctions which set the Olympics apart from these other worthwhile endeavors.

First, as I pointed out before, the USOC is charged with carrying out a national amateur athletics effort. Incidentally, USOC membership includes many organizations which we have traditionally thought of as non-sports charities, such as the Boy Scouts of America and the Catholic Youth Organization.

Second, many organizations are already supported by government grants and endowments. Admittedly, many of those grants are being cut back, and so one can appreciate organizations who would explore new methods of revenue collection. Yet, it is easy for all of us to forget that our National Olympic Committee is the only one out of 147 in the world which does not seek nor receive a financial subsidy from its government.

Finally, Mr. Chairman, it's imperative that we recognize just how important the Olympics have become as an extension of our foreign policy. It's unfortunate that modern Olympics have become politicized, but we must realize that the free world looks to our nation for leadership in all areas of human endeavor. We know we have the young people in our country who can demonstrate a superior ability in competition that will bring pride and honor to themselves and their country.

These outstanding young people won't be able to participate in an Olympics and amateur athletic sports at other competitive levels as well if we don't provide the opportunity for the American people to directly support their work.

Thank you, Mr. Chairman, for letting me share my support of the Olympics and this proposal with the committee today.

Mr. Chairman, I would ask that my statement be printed in full for the record. I will be happy to respond to any questions you might have at this time.

Senator STEVENS. Appearing with me this morning is Mark Barnes of my staff, who is working with me on the matter. I appear before the committee this morning for the purpose of discussing a way to maintain and improve the vitality of the Olympic and amateur sports organizations in our country. And I thank you for scheduling a hearing on S. 1595 which Senator Inouye and I have worked on.

What we want to do is to give the American people the opportunity to target a dollar of any refund to which they are entitled to be paid to the U.S. Olympic development fund. We would want to also give taxpayers who are not entitled to a refund, of course, the opportunity to add a dollar to their tax return if they wish to do so, and to channel this money to the Olympic Committee.

Mr. Chairman, I know that there has been some discussion in the past concerning the use of this technique, because of the opposition of the Treasury and others. We simply have to find some way to get additional revenue for the Olympic sports.

I served on President Ford's Commission on Olympic Sports. We estimated at that time that $215 million in 1976 dollars was needed for Olympic sports activities. And, as you know, we have a new Olympic activity coming up in Los Angeles. We believe that the concept of the Presidential checkoff could be used and would be very popular with Americans on tax returns.

I don't need to point out to this committee the amount of the refunds that are paid out every year. What we would be doing would be using the collection technique of the tax system to raise money for these Olympic and amateur athletics in the country.

I might say there is a unique situation here. Someone would say, "Well, why the Olympics as opposed to something else? Why Olympic sports?" Ours is the only national committee in the world, out

of 147, which does not subsidize its Olympic sports activities. We have opted to maintain these on a volunteer basis, but I do think that the Government could use its collection mechanism to assist in the raising of funds for Olympic sports without being involved directly in a subsidy of these activities.

If you have any questions, I would be pleased to respond to them. I see my good friend is here now. Danny Inouye and I have worked together in Olympic sports in the past as well as in the whole realm of sports activity in the country. I see no other way to provide the assistance these activities need, other than using the checkoff for this purpose, while leaving the contributions to the American public on a volunteer basis.

Senator PACKWOOD. I may have a question or two, but Dan wanted to go ahead first.

STATEMENT OF HON. DANIEL K. INOUYE, U.S. SENATOR FROM THE STATE OF HAWAII

Senator INOUYE. Mr. Chairman, I wish to join my distinguished colleague from Alaska in thanking you for conducting these hearings.

Mr. Chairman, I have a statement here which I hope can be made part of the record. I would like to summarize this.

[The prepared statement follows:]

STATEMENT BY SENATOR DANIEL K. INOUYE

Mr. Chairman, I wish to express my appreciation to you and the Subcommittee for your willingness to hold this hearing on S. 1595. The bill was first introduced during the 96th Congress as S. 1630, and while we were unable to arrange a hearing on it, the proposal generated a great deal of public interest. Senator Stevens and I introduced this legislation again this year because we are still convinced that this is the best approach to supporting our Olympic effort.

Basically, S. 1595 provides a mechanism for a taxpayer to designate that one dollar of any refund that he or she is entitled to receive be given to the U.S. Olympic Committee, or to allow the taxpayer to enclose a one dollar contribution as part of the tax return. It is a simple proposal, though I expect that there will be some opposition to it.

With the funds that I am certain will be forthcoming, the U.S. Olympic Committee is to, in the words of the bill, "carry out a program for the expansion and improvement of amateur athletics in the United States so that all Americans (including women, minorities, and the aged and the handicapped) are able to participate in athletic endeavors." With this program, there are no limits to what American athletes will be able to achieve in the future.

I realize that some may ask "Why the Olympics? Why not the Red Cross, the USO, or the United Way Campaign?" The list of potential recipients is endless, and would certainly include the National Endowments for the Arts and Humanities. I mulled over this question for many hours, and it is only because I believe that there is an answer to those questions that I introduced S. 1595. I believe that the mechanism established by the bill is necessary and in the best interests of the nation.

When the Olympics were first organized in the ancient days, I gather that it was for the purpose of bringing together the outstanding athletes of Greece and her neighboring states to competitively test the physical strength and skills that each possessed. It was primarily a celebration of the human body and its abilities. It was not created as an arena for nations to compete against each other. And it was never intended to serve as an arena to pit the best athletes of one country against those of another in order to determine the supremacy of the respective nations political philosophies, lifestyles and international influence.

But today, unfortunately, it is an arena for political propaganda. In our lifetimes most of us can recall the grandiose spectacle of the 1936 Berlin Olympics which Adolph Hitler wanted to use to proclaim the supremacy of the Germanic people. On the other hand, all of us can recall with special pride our American hockey team's

stunning victory over the Soviet Union at the 1980 Lake Placid Winter Games. But do we still remember the individual skills, the names and faces of the members of that team. I rather doubt it. But we do remember the way we felt as Americans when our team won.

Mr. Chairman, it appears that in this century, no matter what wise men have told us, nations insist on competing with other nations. And unfortunately, that competition all too often involves the use of deadly weapons. If compete we must, then I suggest that we try to restrict our direct competition to this most ancient of competitive gatherings—the Olympics.

And if we are to be truly competitive in international athletics, we must provide our representatives with the facilities and support that other nations bestow upon their athletes.

It is no secret that the Soviet athletes are the elite of their society. The prized Soviet athlete will receive special, spacious housing, high-paying jobs that do not interfere with their training schedules, and the best equipment and sports medicine available. And the Soviet Union's not the only nation that does this.

The American athlete is surely among the few truly amateur and unsubsidized athletes in the world. This bill does not provide subsidies, and it does not attempt to change our proud history of outstanding accomplishments by amateur athletes. The bill does provide a way for the American people to support a program which will, without a doubt, produce even greater accomplishments.

I am aware, Mr. Chairman, that we Americans are all too often a bit embarrassed about waving our flag—the stars and stripes. This bill provides us with a way to wave that flag proudly and positively through our amateur athletics program which culminates in the Olympics. And I am certain that the potential benefits to our national spirit make a compelling argument for the passage of this bill.

Senator INOUYE. Mr. Chairman, I realize that some may ask, "Why the Olympics? Why not the Red Cross or the U.S.O., or the United Way Campaign, or, for that matter, the National Endowment for the Arts and Humanities?"

I mulled over this question for many days, and it is only because I believe that there is an answer to those questions that I join Senator Stevens in introducing this measure. Because I believe that the mechanism established by this measure is necessary and in the best interest of this country.

When the Olympics were first organized in the ancient days, I gather that it was for the purpose of bringing together outstanding athletes of Greece and her neighboring states to competitively test the physical strength and skills of each athlete. It was primarily a celebration of the human body and its abilities, and it was not created as an arena for nations to compete against each other, and it was never intended to serve as an arena to pit the best athletes of one country against those of another in order to determine the supremacy of the respective nations political philosophies, lifestyles, and international influence.

But today, unfortunately, it is an arena for political propaganda. In our lifetime most of us can recall the grandiose spectacle of the 1936 Berlin Olympics, which Adolph Hitler wanted to use to proclaim the supremacy of the Germanic people. On the other hand, I believe all of us can recall with special pride our American hockey team's stunning victory over the Soviet Union at the 1980 Lake Placid Winter Games.

But do we still remember the individual skills, the names and faces of the members of that team? I rather doubt it. But we do remember the way we felt as Americans when our team won.

Mr. Chairman, it appears that no matter what wise men have told us, nations insist on competing with other nations, and unfortunately that competition all too often involves the use of deadly weapons. If compete we must, then I suggest that we try to restrict

our direct competition to this most ancient of competitive gatherings—the Olympics. And if we are to be truly competitive in international athletics, we must provide our representatives with the facilities and support that other nations bestow upon their athletes.

It is no secret that the Soviet athletes are the elite of their society. The prized Soviet athlete will receive special, spacious housing, high-paying jobs that do not interfere with their training schedules, and the best equipment and sports medicine available. And, as my distinguished friend from Alaska has pointed out, the Soviet Union is not the only nation that does this—all others with the exception of the United States.

The American Olympic athlete is surely among the few truly amateur and unsubsidized athletes in the world. This bill does not provide subsidies, and it does not attempt to change our proud history of outstanding accomplishments by amateur athletes. The bill does provide a way for the American people to support a program which will, without a doubt, produce even greater accomplishments.

I am aware, Mr. Chairman, that we Americans are all too often a bit embarrassed about waving our flag. This bill provides us with a way to wave that flag proudly and positively through our amateur athletic program which culminates in the Olympics. And I am certain that the potential benefits to our national spirit make a compelling argument for the passage of this measure.

Thank you very much, sir.

Senator PACKWOOD. Let me ask you: To the best of your knowledge is there any opposition that is organized, other than the Treasury Department?

Senator STEVENS. No. I have never heard any. We suggested this once before. We were going to add it to a bill on the floor, but it was suggested that we ought to pursue the normal, regular channel. We agreed to do that.

But I have never had any opposition. I have spoken throughout the country on the concept, and so did the members of President Ford's commission. We recommended it at that time.

Senator PACKWOOD. I think you are very wise to choose the route of the Presidential checkoff.

Senator STEVENS. This is not the same as the Presidential checkoff, because that does earmark dollars destined for the Treasury. This would take a dollar from the refund, or an additional dollar if there were no refund. Of course, I assume that people could go further if they wish to in adding to the amount.

Senator INOUYE. The bill will not restrict it to a dollar.

Senator STEVENS. That is right.

Senator INOUYE. If you want to put in a thousand dollars, sir, the committee will accept it, I am certain.

Senator PACKWOOD. I have no other questions. Senator Armstrong says he has no other questions. I appreciate very much your statements.

Senator STEVENS. Thank you very much, Mr. Chairman.

Senator INOUYE. Thank you.

Senator PACKWOOD. I think Senator Mathias would care to testify now on his bill, and then we will hear an opening statement

from Senator Armstrong. Then we will go back to the panel on the Olympics.

STATEMENT OF HON. CHARLES McC. MATHIAS, JR., U.S. SENATOR FROM THE STATE OF MARYLAND

Senator MATHIAS. Thank you, Mr. Chairman. I have a prepared statement which I would propose to submit for the record, if that is properly admitted.

Senator PACKWOOD. It will be in the record in full.

[The prepared statement follows:]

PREPARED STATEMENT OF SENATOR CHARLES McC. MATHIAS, JR.

Mr. Chairman, I thank you for the opportunity to appear before the subcommittee today on behalf of the voluntary contributions for the arts and humanities bill, S. 1035.

The intent of my bill is simple. It would provide a check-off box on individual Federal income tax forms for voluntary contributions to the National Endowment for the Arts and the National Endowment for the Humanities. Such contributions would be in addition to an individual's tax payment or in lieu of a part or all of a refund.

The National Endowments would transfer those contributions to State arts agencies and state voluntary councils. They, in turn, would make grants to institutions, organizations, artists in both the performing and fine arts, and community groups engaged in cultural and educational activities.

I have proposed this concept to my colleagues in three successive Congresses. This is the first time, however, that it has been the subject of hearings. The austere economic goals of the present administration make it a particularly propitious moment to discuss an alternative funding mechanism for the arts and humanities.

The arts and humanities are as fundamental to the health of our society as are science and technology. Our efforts to confront the challenges of the present and the future will be immeasurably enhanced by giving value and support to the cultural and scholarly activities which illuminate the past, nuture the free exchange of ideas and provide an imaginative vision of life's dimensions.

Judith Lynne Hanna, anthropologist and author, has stated: "Both reflecting and influencing society, the arts are a vital way for people to communicate ideas, feelings, values and identities in the attempt to cope with their problems. The arts glorify, scrutinize and frame human concerns."

In 1965, when Congress established the National Endowments, the message was clear. "The Congress hereby finds and declares (1) that the encouragement and support of national progress and scholarship in the humanities and the arts, while primarily a matter for private and local initiative, is also an appropriate matter of concern to the Federal Government. . . . .it is necessary and appropriate for the Federal Government to help create and sustain not only a climate encouraging freedom of thought, imagination and inquiry but also the material conditions facilitating the release of this creative talent."

The Congress has continued, over the 16 years of the National Endowments' existence, to support this basic premise. In 1980, the National Endowments were reauthorized for five years, the longest authorization period in their history. In doing that, the Congress recognized the goals and contributions of the Endowments, not the least of which has been to generate at least three-to-four dollars from outside sources for every federal dollar invested. This is far beyond the one-to-one match required for most programs, or the three-to-one match of the Challenge Grant program.

The Presidential Task Force on the Arts and the Humanities, which presented its report to the President three weeks ago, has reconfirmed this historical commitment of support, stating that: "Our Federal Government bears a responsibility for encouraging and protecting the arts and the humanities."

Yet, the National Endowments' budgets are being reduced, as are the budgets of most government programs. The figures included in the Reconciliation Bill represent a cut in funds at about 30 percent. Taking into account the President's requested additional 12 percent across-the-board reduction in most non-military programs, the decrease now proposed would cut each Endowment by 56 percent, from the 1981 level.

Hand in hand with these proposed budget reductions, we have dealt the arts and humanities another blow. According to a study of the impact of the 1981 Tax Act on charitable giving, directed by Lester A. Salamon, a political economist with the Urban Institute, this year's tax law actually decreases the tax incentives for charitable contributions. By reducing the tax rate on unearned income from 70 percent to 50 percent, the cost to the donor of a dollar to charity is now 50 cents, instead of 30 cents. The Task Force acknowledged this by stating:

"The overall impact of the general income tax rate reductions may materially diminish private contributions. . . . .Past evidence would seem to support the proposition that donors give more on the basis of the marginal cost of giving than on the basis of additional income available."

The irony to all of this is that a central tenet of the economic strategy being pursued by the administration is to reduce the role of government and encourage the private sector to pick up the slack.

But, not only has the Urban Institute study proven this unlikely, executives from several large corporations, (with million dollar budgets for philanthropy) have testified before both houses of Congress that corporations will not be able to fill the gap left by such massive cuts in the National Endowments. "Dollar for dollar, there is no way for the private sector to make up for the cuts", according to John H. Filer, Chairman of the Aetna Life & Causalty Co.

I believe that my bill offers a solution to this problem, and at no cost to the Federal Government. Not only will we assure additional annual revenue to the Endowments in these times of fiscal austerity, but we will be encouraging the participation of each and every American citizen in increasing the porminence of the arts and humanities in our lives.

I was pleased to note that the Presidential Task Force recommended that the Federal Council on the Arts and Humanities give this tax checkoff concept further consideration.

We would provide the average American citizen a convenient opportunity to support the arts and humanities. At the same time, we would demonstrate, as a nation, the pride that we justifiably take in our cultural heritage.

Senator MATHIAS. In the matter that I bring before the committee, I hope it will be a case of as Oregon goes, so goes the Nation. Because Oregon has already adopted a tax checkoff for the arts, and I understand that it will be incorporated as part of the Oregon State tax return forms in the coming year.

It is a very simple bill. The principle is somewhat similar to that which Mr. Stevens and Mr. Inouye have just been describing. Its purpose would be to provide support for the arts. And in this respect it is exactly in line with the President's program, because the President has said that we will have to reduce the public contributions for the arts and that it is his expectation and his hope that the private sector will make up what will not come from the Public Treasury.

I think this is a reasonable expectation. Certainly the private sector has been magnificent in the past in the support of the arts, as many institutions in Washington and elsewhere in the country give evidence. But we are in a different social and economic climate than that in which the Carnegie Foundation or Andrew Mellon or other people were able to make enormous contributions to the arts.

Now we have to really put the average citizen in the position that Mr. Rockefeller or Mr. Mellon or Mr. Carnegie was in the past. The average citizen has to be able to make a contribution to the arts, and this is the mechanism by which that can happen. It is an idea which, if promoted and if it catches on, will make up for the arts contribution that has heretofore come from the private sector.

So I would hope, Mr. Chairman, that the committee would consider it very carefully and would adopt this method, which is at no

cost to the Treasury, as a means of making up that support of the arts which in the President's program will no longer be provided.

Senator PACKWOOD. I have one question similar to what I asked the other two. As we have no other witness on this bill, do you know of any opposition other than that from the Treasury?

Senator MATHIAS. The Treasury's opposition is simply to the mechanical burden that it would create for Treasury. There was a time when everything was written with quill pens, when that might have been a substantial objection. But I think in this day and age—Senator Armstrong, as a computer expert, knows—that you can program this in ways that it will not be a substantial burden. I think it can be managed.

One thing that makes it really urgent, it seems to me, is the passage of the tax bill this year. Because, by reducing the tax on unearned income from 70 percent to 50 percent, we change the mix by which large donors make their contributions. Heretofore the contribution of a million dollars—assuming you are talking donors with very large incomes—was only a contribution of $300,000. Now it is a contribution of $500,000. That may not change large donations. On the other hand, it may. It may change the pattern of charitable gifts and gifts to artistic and academic institutions.

This provision provides a little safeguard against some adverse effect that may flow from the changes in the tax bill.

Senator PACKWOOD. Bill?

Senator ARMSTRONG. No questions.

Senator PACKWOOD. I have no other questions.

Thank you very much.

Senator MATHIAS. Thank you, Mr. Chairman. This bill is obviously widely supported in the artistic community, and we may have some statements from people in that community, if the record will be open for it.

Senator PACKWOOD. We will leave the record open for those people.

Senator MATHIAS. Thank you, Mr. Chairman.

Senator PACKWOOD. Bill, you had a statement.

Senator ARMSTRONG. Thank you, Mr. Chairman. I will just take a moment.

Later this morning the committee will hear from Mr. Bill Hybl, a distinguished resident of our State from Colorado Springs and a long-time personal friend of mine. Mr. Hybl will testify on S. 1745, which is the bill which Senator Hart and I have introduced, the effect of which will be to exempt the El Pomar Foundation of Colorado Springs from the divestiture requirements provided foundations.

Mr. Hybl is an authority on not only the El Pomar Foundation of which he is an officer, but of this aspect of the income tax law. So, knowing what he will testify to, I want to in advance encourage the committee's careful attention to it and indicate on behalf of not only Senator Hart and myself but the community of Colorado Springs and the whole State of Colorado the very great interest that we have in this legislation.

The nub of it, Mr. Chairman, is this: The 1969 law which requires the divestiture of the principal asset of El Pomar, which is the Broadmoor Hotel, would be greatly to the disadvantage of the

people of our State, for several reasons. We think that we can show, and I would like to submit for the record a written statement going into great detail, but we think there are compelling reasons why El Pomar should be exempted from the provisions of that 1969 act. Let me just tick off what some of those reasons are.

First, that profits now earned from the Broadmoor operation are channeled through El Pomar into civic and charitable projects of enormous consequence and importance to the State of Colorado. A forced divestiture, which is what will happen under the present law, would be very much adverse to the interests which benefit from the civic and charitable projects that have meant so much to our State.

Second, it appears to me that if the Broadmoor is left in the position of being on the auction block in a forced sale, it makes it difficult, perhaps impossible, to obtain a fair price for this unique property. And it truly is, Mr. Chairman. I don't know if you have had an opportunity to see it, but it is a unique property of which there is really nothing exactly comparable in the world.

Third, the factor which prompted Congress to enact the 1969 law and to require the divestiture really do not apply in the Broadmoor case. Both the Broadmoor Hotel and the foundation are totally free from the influence of the grantor or of the heirs.

Fourth, I would note—and I think this is important for the record—there is no revenue loss if S. 1745 is enacted into law, because the Broadmoor Hotel is subject to the corporate income tax, regardless of its ownership by El Pomar. Although the Foundation is exempt from the Federal income tax, the foundation, like all foundations, is subject to private foundation exise tax on its investment income.

Finally, Mr. Chairman—and I wish that we could bring 100 or 500 of the most important thought and opinion leaders of Colorado Springs before this committee to testify on the point I am about to mention—there is a great feeling throughout the Pikes Peak region and our whole State that this unique partnership between El Pomar and the Broadmoor has great meaning and significance that cannot even be expressed fully in the dollars which El Pomar has channeled in the good works throughout our State.

It is a unique institution and has been the lynchpin in so many activities that are of significance for our State and region. I understand, Mr. Chairman, that the Treasury will be disposed to testify against this legislation, and I can understand their reasons for it. I would only note in passing that I believe, when the right moment comes, that we will be able to overcome the objections which Treasury will raise, or at least which I understand they raised in their prepared statement. So I would hope the committee would not be too favorably impressed by the arguments which the Secretary will be obligated to make.

I would just note, in conclusion, and point out to the Secretary and others, that at the very time this act was passed in 1969, the Senate included in its version of the bill a specific exemption for El Pomar. And it did so at the request of Senator Allott who then represented our State—and who, of course, is known to the chairman of this subcommittee—because of the very factors I have just mentioned: The unique aspects of the El Pomar-Broadmoor part-

nership and its tremendous significance to the people of our State. So we believe that a truly unique situation arises, and when all the testimony has been heard the committee should and we trust will be disposed to approve this bill.

Mr. Chairman, thanks for the opportunity to get that on the record. I would like to submit my written statement in full.

Senator PACKWOOD. It will be in the record in full.

Senator ARMSTRONG. And I appreciate this opportunity to appear out of order, because I am now on my way to appear at a function in the House at 10.

Senator PACKWOOD. Thank you very much for coming.

Senator ARMSTRONG. Thank you.

Senator PACKWOOD. Senator Grassley, do you have a statement?

Senator GRASSLEY. Not right at this moment. I will have in a minute.

Senator PACKWOOD. We will take, then, the Assistant Secretary.

Your entire statement, Mr. Secretary, of course, will be in the record. While you are testifying, I am going to excuse myself for an emergency phone call. I will be back in about a minute.

Mr. CHAPOTON. All right, Mr. Chairman.

[The prepared statement follows:]

PREPARED STATEMENT OF HON. JOHN E. CHAPOTON, ASSISTANT SECRETARY (TAX POLICY), DEPARTMENT OF THE TREASURY

Mr. Chairman and members of the subcommittee, I am pleased to have the opportunity to present the views of the Treasury Department on S. 1745, which would exempt certain private foundations from the application of the divestiture requirements for excess business holdings and on two bills, S. 1035 and S. 1595, which would permit taxpayers to make charitable contributions to certain organizations with their Federal income tax return.

S. 1745 EXEMPTION FROM EXCESS BUSINESS HOLDINGS DIVESTITURE REQUIREMENTS FOR CERTAIN PRIVATE FOUNDATIONS

Under present law, there are limits on a private foundation's permitted holdings in a business enterprise (section 4943). In general, the maximum permitted holdings are 20 percent of the voting stock of the business enterprise reduced by the percentage of voting stock owned by certain related parties referred to as disqualified persons. The amount of permitted holdings is 35 percent if effective control of the enterprise is in persons who are not disqualified persons with respect to the foundation.

In addition, there are transitional rules providing extended periods for the disposition of excess business holdings held on May 26, 1969 (or acquired pursuant to certain irrevocable trusts or wills executed on or before such date). Under these rules, in general, a private foundation which owned 95 percent or more of a business enterprise's voting stock on May 26, 1969 has until 1989—a period of twenty years—to reduce its ownership of voting stock to 50 percent and has until 2004—an additional fifteen years—to reduce its ownership of voting stock further to 35 percent. These transitional rules are unusual in providng such a lengthy phase-in period for the excess business holdings provisions enacted in 1969.

S. 1745 would provide a complete exemption from the excess business holdings provisions of section 4943 for a private foundation if:

(i) the foundation owned (directly or through a holding company) 100 percent of the voting stock in an incorporated business enterprise on May 26, 1969;

(ii) the stock described in (i) was acquired by the foundation by gift, devise or bequest before December 31, 1966;

(iii) neither the donor nor any member of his family is a foundation manager with respect to the foundation on or after December 31, 1956; and

(iv) the business enterprise, on May 26, 1969 and at all times thereafter, is of substantially the same character as the enterprise conducted by the incorporated business on the date of the last gift, devise or bequest of the enterprise's stock by any donor or member of his family.

In effect, S. 1745 would permit a foundation meeting the above requirements to hold its 100 percent interest in the business enterprise indefinitely, notwithstanding the limitations on business enterprise ownership applicable to all other private foundations. We understand that S. 1745 is intended to benefit the El Pomar foundation, which owns the Broadmoor Hotel in Colorado Springs, Colorado. However, it may also apply to other private foundations.

Treasury opposes S. 1745 for several reasons.

First, Congress enacted the excess business holding provisions in part because it was concerned that if a foundation owned an active business enterprise:

". . . there is a temptation for the foundation's managers to divert their interest to the maintenance and improvement of the business and away from their charitable duties." Sen. Rpt. 91-552, 91st Cong., 1st Sess. (1969), 1969-3 C.B. 423, 449.

In addition, concern was expressed that:

". . . where the charitable ownership predominates, the business may be run in a way which unfairly competes with other businesses whose owners must pay taxes on the income that they derive from the businesses." Id.

Both of these concerns apply to foundation ownership situations that would be exempted from the excess business holdings provisions by S. 1745. In particular, we note that both concerns apply even where the donor or his family do not participate in the management of the foundation and do not own stock in the business. Since the rationale for limiting foundation ownership of business enterprises applies to situations covered by the bill, we do not see why these situations should be exempted from the excess business holdings provisions.

Second, many other foundations with excess business holdings as of 1969 have been working to comply with the law by disposing of excess holdings in business enterprises. It would be unfair to these foundations which have been dutifully making dispositions to comply with the 1969 law if a special exemption were enacted for certain foundations which have not done so.

In sum, we believe the result sought to be achieved by the excess business holdings provisions is sound. Moreover, foundations which had excess business holdings in 1969 have been given extended periods to reduce their excess holdings in businesses. For example, the El Pomar Foundation has already had eleven years to arrange the necessary disposition of part of its holdings at a price it considers fair and it has an additional eight years to do so, hardly a "fire sale" situation. Thus, we do not believe legislative relief is justified.

S. 1035 AND S. 1595, TAX RETURN DESIGNATIONS FOR CERTAIN CHARITABLE CONTRIBUTIONS

S. 1035 would permit a taxpayer to designate that any portion of any overpayment of tax for a taxable year or any contribution in money forwarded with a Federal income tax return for a taxable year be contributed to the National Endowment for the Arts or the National Endowment for the Humanities or to both such endowments equally. S. 1595 would permit a taxpayer to designate $1 of any overpayment of tax for a taxable year or $1 forwarded with a Federal income tax return for a taxable year for contribution to the United States Olympic Development Fund. S. 1035 would be effective for taxable years beginning after December 31, 1981. S. 1595 would be effective for taxable years ending after the date of enactment.

Treasury is opposed to S. 1035, and S. 1595. We do not believe that Federal tax returns, or the Federal tax collection sytem, should be used as a vehicle for voluntary contributions to any charity or cause, however meritorious. If a voluntary check-of of the kind proposed by S. 1035 and S. 1595 were incorporated on tax returns, the flood gates would be opened for other charities and worthwhile causes to request a similar check-off system. Thus, an issue to be considered by this Subcommittee is whether the Internal Revenue Service should serve as a collection agent for all charities. It would be difficult to argue that certain charities, such as the National Endowments, should have a check-off, but that other charities, such as the Boy Scouts, should not.

Moreover, any check-off system would further complicate tax returns and instructions. At least one and probably two additional lines would have to be added to all affected forms. This Administration is committed to reducing the paperwork burden and complexity and has already made significant progress in this area. Proposals such as these that would, in effect, make the IRS a clearinghouse for certain contributions are inconsistent with these goals.

In addition, the legislation under consideration would, if enacted, place an administrative burden on the Internal Revenue Service at a time when the Service is facing budgetary constraints. Were the Service required to reallocate resources to

implement this proposal, the traditional IRS functions would suffer. If the tax check-off system were extended to other charities, which we believe to be a real possibility if S. 1035 and S. 1595 were enacted, the result would be an administrative nightmare for the Service.

Several other problems are presented by a check-off system, particularly the check-off proposed by S. 1035. First, we believe such a system would be confusing to taxpayers. The fact that it operates differently from the current designation for the presidential campaign fund, which is made out of a taxpayer's tax liability, will itself cause confusion. Further, the voluntary contribution would qualify as a deductible contribution for the taxable year it is made. Thus, a designation or check-off in one year, (e.g., 1981 return filed in 1982), should be taken as a deduction on the next year's return (e.g., 1982 return filed in 1983). Because the taxpayer might be making yet another designation or check-off on that year's return, there is great potential for taxpayer confusion and error.

Under current law, the Service may apply any overpayment of tax for the current year against any unpaid liability for a prior year. A question not addressed by the bills under consideration is whether the Service may so apply that portion of an overpayment designated by the taxpayer as a charitable contribution.

Also, if a taxpayer designates a portion of a refund for contribution and the refund turns out to be less than the dollar amount so designated by the taxpayer, because of an adjustment in tax liability due to a mathematical error or substantive change, the Service would then have to request additional payment from the taxpayer for the contribution. It might also mean, if the transfer to recipient entities were already made, that a request for reimbursement to the Treasury might be necessary.

Thus, while we sympathize with the needs of the charities that would benefit from S. 1035 and S. 1595, we must oppose these bills primarily because of the precedent they would establish and also because of the many administrative problems their enactment would create.

STATEMENT OF HON. JOHN E. CHAPOTON, ASSISTANT SECRETARY OF THE TREASURY FOR TAX POLICY

Mr. CHAPOTON. I am going to give a very brief summary of our position on actually three bills preparing for the subcommittee: the one that Senator Armstrong referred to, S. 1745, and then S. 1035, and S. 1595, dealing with checkoffs on the return.

The first bill, S. 1745, as Senator Armstrong mentioned, deals with the maximum permitted holding by a private foundation in private businesses, in this case in stock of a private corporation. In 1969 the Congress adopted, in connection with the other private foundation provisions of the law, section 4943, which generally limits the maximum permitted holdings to 20 percent of the voting stock of a business enterprise, reduced by the percentage of stock owned by certain disqualified persons with respect to the private foundation.

There are elaborate transitional rules in the private foundation legislation. Basically, a private foundation which, like the El Pomar Foundation, held more than a 95-percent voting stock interest in a business enterprise on May 26th of 1969, is given until 1989 to reduce its ownership of voting stock to 50 percent, and another 15 years—to 2004—to reduce its ownership of the voting stock to 35 percent.

S. 1745 would provide a complete exemption from the excess business holdings if four conditions are met. Those conditions are tailored to fit the El Pomar Foundation's ownership of the Broadmoor Hotel. I guess the most important of those conditions is that neither the donor nor any member of his family can be a foundation manager with respect to the foundation at any time on or after December 31, 1956.

As Senator Armstrong indicates, we do oppose S. 1745. Our opposition is based on our belief that the purpose of the excess business holdings provision, section 4943 as added by the 1969 act, is valid, and that the result it seeks to achieve is sound.

The distinction sought to be made by the El Pomar Foundation is that no grantors of the foundation or persons who made substantial gifts to the foundation are in control of the business or the foundation now, therefore, it is argued the purposes do not apply.

As I point out in our written statement, there are two reasons given in the legislative history of section 4943 that would indicate that the rule should apply even where there are no grantors involved. One of them states that, where there is an active business enterprise, there is a temptation for the foundation's managers to divert their interest to the maintenance and improvement of the business and away from their charitable duties. The second concern expressed by the committees at that time was that, where the charitable ownership predominates, the business may be run in a way which unfairly competes with other businesses. We think those concerns were sound then and are sound now.

In addition, we would point out that many private foundations have had to dispose of their substantial and very important business holdings over the years, and that it would be unfair to give an exemption to the El Pomar Foundation at this time.

Finally, the purpose of the foundation's charitable exemption is not to enable it to engage in its own business but, rather, to enable it to engage in charitable activities. There is nothing inconsistent about the foundation's engaging in charitable activities and its disposing, over a substantial period of time, of the Broadmoor Hotel.

Turning to the other two bills. The first, 1035, would permit the designation of tax or money forwarded with a return to be contributed to the National Endowment for the Arts or the National Endowment for the Humanities, or both.

And S. 1595 would permit a taxpayer to designate one dollar of any overpayment of tax or to forward $1 with the Federal income tax return for the U.S. Olympic Development Fund. The Senator from Hawaii and the Senator from Alaska, I think, did correctly state our concerns. They are administrative concerns. We would be very concerned if the Federal tax system should be used as a vehicle for voluntary contributions to charities or causes, however meritorious. And, therefore, we do oppose this mechanism.

We should keep in mind that such a mechanism would complicate income tax returns, it would make the IRS a clearinghouse for contributions, and certainly it would open the floodgates for other very meritorious causes to request similar treatment. It would cost dollars to administer such provisions. It would require the service to reallocate resources from other purposes for this purpose.

I would also point out that there is a significant difference here between the $1 checkoff for the Presidential campaign fund, which does not affect the refund or the amount due by the taxpayer; it is simply his designation that a portion of his tax liability go in that direction. Both of these proposals would affect the flow of dollars, either reducing the refund to the taxpayer or permitting the tax-

payer to send further amounts with his tax return. And that, in itself, would be a further administrative burden.

We have to recognize that tax returns are very confusing documents to most taxpayers, and to add another line or two to the return is going to exacerbate that problem significantly. I would also point out that the charitable deduction involved in any of these checkoff mechanisms will cause some confusion. If you are paying your 1981 tax in 1982 and you make a contribution through this mechanism, it is a deduction not on your 1981 tax but on your next year's tax liability, which necessarily will confuse the taxpayer. Some of them will attempt to reduce their tax liability as a result of the contribution, and, honestly, they would not be permitted to do that.

Also, if you have a later audit and a reduction of the refund, we have to address what happens to the checkoff if the dollar has already been sent to the National Endowment for the Arts or the Olympic Committee. Does that dollar come back, or does the money designated come back? Or is the IRS required to simply seek the refund directly from the taxpayer, leaving him with having made contribution that he may not have made had he known he had not overpaid his tax.

There are a lot of such administrative problems. They are all administrative. We recognize the meritorious nature of these endeavors that are sought to be supported, but our opposition is very strong.

Thank you, Mr. Chairman.

Senator PACKWOOD. Your opposition, Mr. Secretary, would continue whether or not you could take care of your administrative problems about past tax liability and the other things you mention in the last paragraph here?

Mr. CHAPOTON. Yes. I think it would be possible in drafting to take care of some of these problems. One additional one that I didn't mention is that if the taxpayer has a liability for past years, any overpayment of tax, automatically under our law, may be used to offset that liability. That problem could be addressed by simply saying the checkoff would be nullified if that situation existed.

Senator PACKWOOD. I think we could draw the legislation so that the Treasury would have a first lien on any moneys that had been checked off for the Olympics and the Endowments. But that still wouldn't change your opposition?

Mr. CHAPOTON. No. The principal problem is the confusion it causes taxpayers, and the floodgate argument, that is which organizations should be entitled to be put on the front of the return.

Senator PACKWOOD. Don't you think there is almost a basic difference in kind between the Olympics and almost every other kind of charity you might want to name?

Mr. CHAPOTON. When the Senators were testifying, that thought was apparent to me. Yes, there is a difference. I agree.

Senator PACKWOOD. Senator Grassley?

Senator GRASSLEY. No, I have no questions.

Senator PACKWOOD. Senator Matsunaga?

Senator MATSUNAGA. Thank you, Mr. Chairman.

If you have already answered the question, I will check the record. But what is the estimated loss of revenues on each of these bills?

Mr. CHAPOTON. Senator, there is no loss. Are you talking about the checkoff provisions?

Senator MATSUNAGA. Yes.

Mr. CHAPOTON. I got an estimate from the Internal Revenue Service. It is administrative cost, solely. An estimate from the Internal Revenue Service on a per-return basis, frankly, was in the $10-per-return range. That sounds high to me. I just have to check that further. But there will be some cost. It won't be minimal. It would require a further look at each return.

Senator MATSUNAGA. You don't have any past experience whereon you could base, say, the total revenue loss?

Mr. CHAPOTON. Well, the only revenue loss is administrative cost.

Senator MATSUNAGA. Is that all?

Mr. CHAPOTON. Yes.

Senator MATSUNAGA. And did you say $10 per return for the administrative cost?

Mr. CHAPOTON. The administrative cost. Let me say, of course there is a revenue cost to the extent contributions are enhanced. I do not think we would be able to make a meaningful estimate on the enhancement of contributions as a result of these provisions. It would simply be a matter of how successful efforts were to encourage taxpayers to make such contributions. So our main concern is the administrative cost.

Senator MATSUNAGA. Thank you.

Senator PACKWOOD. Now I am curious. We were talking about trying to encourage a $1 or $2 or $5 contribution to the Olympics, and the first thing, it is going to cost the Treasury Department, the Internal Revenue Service, about $10 per return to make that allocation.

Mr. CHAPOTON. As I said, Mr. Chairman, the estimate I received yesterday sounds high to me. So we need to look at that.

Senator PACKWOOD. Senator Bradley.

Senator BRADLEY. Yes. I wanted to follow up on these questions.

Did you, or could you if you haven't, explain why it would cost so much; $5 to $10 per return?

Mr. CHAPOTON. Senator, we have two different aspects. If there is simply a checkoff as there is now, that costs less than $1 a return to examine to see whether a return has been so checked. That is, for the Presidential checkoff you designate $1 going to the Presidential campaign funds. Then any cost after that is simply dealing with the funds after that point.

Where you have in the law, however, an amount that may be specified on the return, *x* dollars going to *X* charity or *X* cause, then you have further administrative costs. Each return that so designates must be specially handled, and the funds must be dealt with. The IRS made an estimate on a per return basis. As I indicated, the IRS's estimate was $10 a return. I simply think that is too high, and we will have to submit to the committee in more detail what our estimate would be on that.

It will not be inconsequential. There will be significant administrative cost, because you must deal with the dollars with each return that designates dollars.

Senator BRADLEY. Does the number of returns make a difference?

Mr. CHAPOTON. Well it certainly could make a difference. I am not sure I would know the answer to that. It would make a difference if significant dollars were designated and then had to be divided between different charities, but I am not sure the number of returns would affect it.

Senator BRADLEY. Does Treasury have a position, per se, about the concept of a checkoff on the tax return?

Mr. CHAPOTON. Yes. We are opposed to the concept of the checkoff because of the complexity it adds to the return and because of the administrative problem it causes, and because it is using the Internal Revenue Service for a nonrevenue raising function.

Senator BRADLEY. Does that include the Presidential checkoff?

Mr. CHAPOTON. We are not now opposing the Presidential checkoff. It is in place, and we have made no attempt to remove it.

Senator BRADLEY. Thank you.

Senator PACKWOOD. Any other questions?

[No response.]

Senator PACKWOOD. Mr. Secretary, thank you very much for coming.

Mr. CHAPOTON. Thank you, Mr. Chairman.

Senator PACKWOOD. Now we will move to the panel, and I appreciate your patience. On behalf of the Olympic Committee; Robert Kane, Chris Knepp, Donna de Varona, and Edwin Moses. Why don't you all come up.

Senator BRADLEY. Mr. Chairman, on behalf of the committee I would like to, if I may, welcome these who will testify. Of these two, one was in the Olympics that I was in in 1964, and the other was my boss in the Olympics of 1964. I am glad they are here.

Senator PACKWOOD. Are you a cosponsor of this bill?

Senator BRADLEY. I don't know. Maybe I will.

Ms. DE VARONA. I am glad you are here, too. Thank you.

Senator PACKWOOD. Do you want to testify in the order that you are on the witness sheet?

Mr. KANE. Senator Packwood and gentlemen, I am Robert Kane. I just found out that I was Bill's boss back in 1964. I wish I had known it.

Senator PACKWOOD. I might say again that all of your statements will be put in the record in total.

Mr. KANE. Yes, sir.

STATEMENT OF ROBERT KANE, PAST PRESIDENT OF THE U.S. OLYMPIC COMMITTEE, OF NEW YORK AND FLORIDA

Mr. KANE. Senator Packwood and gentlemen, I would like to introduce my partners here this morning. As Senator Bradley has already indicated, Donna de Varona was a member of the 1964 Olympic team in swimming, won two gold medals. She was also a member of the President's Commission on Amateur Sports, and she is now president of the Women's Foundation for Sports.

Chris Knepp, on my immediate left, is on the Pan American baseball team, chairman of the Athletes Advisory Committee of the

Olympics, and is on our executive board and administrative committee.

Ed Moses—the word "great" is overused in sports, but not in the case of Ed Moses. He was a 1976 champion, the 400-meter hurdles, at Montreal. He has won 72 straight races in the 400-meter hurdles, and holds the world's record at 47.1. Even without hurdles, that's pretty good. He is certainly one of the great and enduring athletes that the United States has ever known.

If I take just a couple of minutes beyond my 5 minutes, Mr. Chairman, it will be because of the benevolence of my partners, who will cut down a minute or two. I will not just read from the written testimony but will make a few remarks which are, in effect, in addition to those.

As Senator Stevens has already stated here this morning, the United States is the only nation in the world which receives no financial help from the Government, nor does it want any. But we do need your ministering. We need your help to survive in this competitive world of sport, which is more competitive and more political than at any time in history.

The Olympics are the most visible peaceful involvement of the United States with other nations. Our pride and prestige and our youth are on view for billions of people of differing ethnic and political persuasion and, as well, of our friends to see and appraise. It is a wholesome and healthful involvement. Our American athletes are the very best anywhere, when they are given a proper chance. The facts prove this. But fewer than half of our sports are on the high school and college programs, and there is really no other good way in this country to help amateur sports other than on the educational programs.

Of the 26 Olympic sports of the winter and summer games, only 12 are on high school and college programs. So unless our young people have financial resources to pay their way, they are not able to take part in the other 14 sports. And only recently have our women been given a proper chance, even on our educational programs.

So there are about 14 pauper sports in this country, the great capitalist nation of the world; whereas, in the Soviet Union, East Germany, and virtually every other large country in the world, all sports are richly supported, and in each case by their governments.

Not surprisingly, then, we do very well in the sports that are on our high school and college programs, and really not very well in the others. In making this point, I would like to refer on a factual basis to what happened the last time we took part in the summer games—and, as you all know, that was in 1976, not 1980—and at the same time to explode the myth that the recent emergence of the Soviet bloc countries had undermined our part in victories in the Olympic games.

In 1976, at Montreal, Russia got the most gold medals, 57; East Germany, 40; and the United States, third, with 34. Now the Russians won 10 medals in Greco-Roman wrestling. We won none. Greco-Roman wrestling is not a high school or college sport. The Russians won five gold medals in weight-lifting, and we don't have that on our college programs. They won five gold medals in canoeing; we won none. The East German women won 11 of 13 swim-

ming events; we won none. The United States won 8 gold medals in track and field; overwhelmingly in men's swimming, 12 gold; first in men's basketball, but men's basketball is only 1 gold medal.

The East Germans, of their 40 medals, the women won 25 of those 40. The Russian women won 12 golds; our U.S. women won 2. I think that demonstrates that what has happened in the world from 1952 and thereafter is that the Russians figured where we were vulnerable and made sure that the sports that we were vulnerable in, they beefed up.

We are still doing as well as ever in the sports that we support. And I don't have to remind you of what happened in the winter games. In the past 4 years the Olympic has advanced more, done more things, than in their 50 years previous. The great victory of our hockey team, the apotheosis of Eric Heiden, the showing of our skiers, the showing of our other speed skaters, that can happen in all sports in this country if we give our athletes a chance. I hope with this bill that's here today that we can provide that chance for all our athletes.

The 1978 U.S. Olympic Committee was designated for the first time the coordinating body for amateur sports in this country, and that was the spur and encouragement that provided some of the advancements and most all of the advancements that we have made in the past 4 years. We not only help the Olympic sports, we help aid other sports also. And for the first time we help, financially and otherwise, the handicapped sports. We inaugurated our own Olympics in the form of the National Sports Festival 3 years ago; we have now a very fine sports medicine program at the National Training Center, and we have the instrumentalities to do so much for Olympic sports that we have never done before.

What we hope is that this can be approved. We are not asking for a tax on the people, just to make it possible for people to contribute where they wish to. This is a convenient instrumentality for that.

Mr. Chairman and gentlemen, I respectfully beseech your patronage and your blessing. There is just one question I would like to answer before I conclude. That has to do with the administrative cost question that came up in the previous discussions. It certainly would not be our position that any moneys that would come to the USOC would cost the Government anything. So we would hope that any extra administrative costs could be taken off the top.

Thank you, sir.

Senator PACKWOOD. Thank you very much, Mr. Kane.

Mr. KNEPP.

STATEMENT OF ROBERT J. KANE, PAST PRESIDENT, U.S. OLYMPIC COMMITTEE

It is a pleasure for me to appear before the Senate Committee on Finance in support of S. 1595. The bill would allow individual American citizens to contribute to the support of the U.S. Olympic effort by designating one dollar of any overypayment of income tax or one dollar of any contribution which accompanies an individual's tax return for the United States Olympic Development Fund.

Before discussing the need and appropriateness for this legislation, I think it would be suitable to briefly discuss the activities of the USOC from an historical perspective and then discuss our plans for the future.

The USOC is an organization of organizations. Taken together, it represents nearly every amateur sports organization that is involved with sports which are onducted domestically and internationally. Its member organizations are responsi-

ble for the development of athletes of all ages and all levels of ability and literally reach hundreds of thousands of our youth who first participate as children and, in their pursuit of excellence, reach the elite ability and respresent our country in international competition. The USOC is organized into five levels of membership—the first level is comprised of the 37 national governing bodies (National Rifle Association, Amateur Basketball Association, Gymnastics Federation, U.S. Figure Skating Association, U.S. Modern Pentathlon and Biathlon Association, etc.) comprising all the sports that are represented on the Olympic and Pan American programs. Each of these national governing bodies is charged with the coordination and development of their sports at the novice, intermediate, national and international levels. The second level is comprised of multi-sport organizations including: the Amateur Athletic Union; American Alliance for Health, Physical Education, Recreation and Dance; Association for Intercollegiate Athletics for Women; Catholic Youth Organization; Jewish Welfare Board; National Association of Intercollegiate Athletics; National Collegiate Athletic Assoication; National Counsel of YMCA's; National Explorer Division of the Boy Scouts of America; National Federation of State High School Associations, National Junior College Athletic Association and U.S. Armed Forces. Multi-sport organizations conduct national programs in many sports and conduct a wide range of national sports competitions. The third level is comprised of national governing bodies whose sports are not currently on the Olympic or Pan American Games programs, but which are widely practiced in this and other countries (e.g., tae kwon do). The fourth level is national organizations which conduct sports for the handicapped, such as American Athletic Association of the Deaf, National Association of Sports for Cerebral Palsy, National Wheelchair Athletic Association, Special Olympics and the U.S. Association for Blind Athletes. Finally, our fifth level is comprised of State Olympic organizations with representatives in each and every state. These organizations are comprised of volunteers whose principal purpose is to conduct local fund raising for the benefit of the United States Olympic Committee and its many programs. With the enactment of the Amateur Sports Act of 1978, the United States Olympic Committee has the responsibility for coordinating amateur sports in the United States with particular emphasis on participation in international competitions.

For the first time in 52 years, the Summer Olympic Games will be held in America when the City of Los Angeles will host the Games in 1984. America's interest in the Games will be unparalleled and the Games will provide a stimulus for increased sports participation at all levels of performance. The United States Olympic Committee and the athletes of our great country have committed themselves and are dedicated to assuring that our representation in these Games will be the best in history.

I have been associated with the activities of the U.S. Olympic Committee for nearly thirty years. For most of that time, the USOC functioned only to select, feed, clothe and transport our Olympic and Pan American Teams and all funds contributed by the American public and corporations, were used for these puposes. Our current President, former Treasury Secretary Bill Simon, our Executive Director, Don Miller and many of the rest of us associated with USOC affairs for a great number of years always planned for the day when the USOC would reach far beyond the Olympic level performer to all levels of sport development. Our objective has always been to raise funds to reach potential Olympians of all ages.

As a result of the Amateur Sports Act of 1978, today the USOC functions as the central coordinating body for the sports on the Olympic/Pan American Games programs. Our budget has grown from $4.8 million during the 1965–1968 quadrennial period to a projected $71.2 million for 1981–1984—and be assured that this budget is only for current, ongoing programs with less than 5 percent for capital improvements.

The USOC and its member organizations are, today, reaching many athletes of varying skill levels but not to the extent desired. Historically, the USOC only reached the elite performers in sports.

During the past few years, the United States Olympic Committee has restructured its organization, management and fundraising and has embarked upon a period of unprecedented growth. The USOC has:

(1) Established a national training center where athletes of all skill levels could come and train for short periods of time with the USOC paying all the operating expenses of the center;

(2) Established the National Sports Festival, a domestic, multisport event paralleling the Olympic Games, which is held in all years except the Olympic year;

(3) Increased development grants to the various sports comprising USOC membership from $2.2 million in 1973–76 to approximately $10 million during

1977-80, with $15 million budgeted for 1981-84, subject to revision upward if funds are available (as an example, funds have been allocated for 1981 in the amount of $3.64 million—Athletics (men and women)—$414,400; Bobsled—$85,000; Swimming—$182,000; Rowing (men and women) $246,800);

(4) Established a Job Opportunity Program which placed over 100 athletes in jobs with national companies that paid athletes fair market value for work but allowed the athletes time away from work with pay to train in their sports:

(5) Established a Sports Medicine Program whose purpose is to provide medical information affecting athletic performance to coaches, officials and athletes and to reach out and coordinate the existing work being conducted in sports medicine nationwide.

(6) To establish more effective coordination, communications and economies, the USOC has provided free space and service to the national governing bodies at our Olympic Complex in Colorado Springs. At the present time, 13 national governing bodies are located there. And, by the end of this year, we anticipate a total of 18 of the 37 NGB's will be located at the Complex. This will represent a savings to these organizations of approximately $750,000 per annum which can be used to strengthen the grass roots development of sports in the United States.

(7) The United States Olympic Committee has formed a Handicapped in Sports Committee to assist the national organizations promoting sports for the handicapped in effecting a broader scope in their programs and establishing closer liaison with the national governing bodies. Further, we have included in our budget financial support to assist these organizations in establishing broader amateur sports programs which will generate maximum participation by the handicapped.

(8) In restructuring the United States Olympic Committee, we have provided for a minimum of 20 percent athlete participation at all policy-making levels of the Committtee. Further, on all Special and Standing Committees of the USOC, as well as the policy-making level of the national governing bodies, we have 20 percent athlete responsiveness, to, the requirements of our current amateur athletes.

As a direct result of these programs, many of our national teams, such as Women's Volleyball, Women's Field Hockey, Men's Water Polo and Ice Hockey, went from being unranked in international competition to a worldwide ranking of 2 or 3. In the individual sports, such as gymnastics, modern pentathlon, women's swimming, and wrestling, our athletes have attained unprecedented success in international competition.

Senators, let me digress for a monent to give you an example of the activities of the USOC that took place during July, 1981.

The USOC funded the entire trip of over 300 men and women athletes to the World University Games to be held in Bucharest. The World University Games are somewhat similar to the Olympic Games and there are competitions in ten sports open to student athletes between the ages of 18 and 27. The cost of sending our representatives to these Games this year was $561,000.

Two, we conducted our third National Sports Festival in Syracuse, New York, where 3,000 athletes from 33 sports competed in this national competition with representatives from every corner of our country. The cost of this Festival was $3 million, with the United States Olympic Committee providing one and one-half million. The National Sports Festival will also be conducted in 1982 in Indianapolis, Indiana, and in 1983 it is scheduled for Los Angeles.

Three, we had close to 1,000 athletes of all ages and skill levels at our Colorado Springs Training Center; incidentally, we were so overbooked that we rented space from the Colorado School for the Deaf and Blind to house the athletes. Since the establishment of the Training Center program in 1977, nearly 50,000 athletes representing a total of nearly 425,000 man days from 35 different sports have utilized our Training Center. The USOC defrays the cost of the athletes once they reach the Training Center which, at this time, is $14.33 per athlete per day. Simple arithmetic indicates that the costs for July alone were over $400,000. The demand exists for many thousands more—the youth of our country should be able to participate in this program and could if an adequate number of training centers were made available.

Many communities have offered to provide training centers, including Lake Placid in which substantial government funds were invested but the lack of financial support precludes the establishment of additional training centers to satisfy the inherent interest and needs of our young athletes.

By the Act of Congress passed in 1978 amending its federal charter, the USOC is charged with providing these kinds of opportunities. But we cannot expand or

accomplish our objectives without increased financial support. During the last quadrennial period, 1977–1980, the United States Olympic Committee generated $55 million from the private and public sectors in support of these programs. This amount was not adequate to maintain our on-going programs and we were forced to close down our training center in Squaw Valley, California, which had an average attendance of close to 200 athletes per day.

All of our funds have been raised from corporations, foundations and individuals except a small portion which was granted to the USOC by the federal government as a result of the negative impact on our fund-raising efforts caused by the USOC not electing to send a team to the 1980 Games in Moscow. However, our financial needs continue to increase to meet our responsibilities to provide and enhance the opportunities for the youth of our country. Because the American public does not yet fully comprehend today's USOC operations, it did not perceive our need for additional funds because we were not sending a team to Moscow.

With a budget of $71.2 million for this quadrennium we will not be able to expand the programs made available to our amateur athletes. Our funds are being utilized with the goal of maximizing the opportunity for all who wish to participate be they men or women, handicapped or able-bodied, novices or elite performers in their sports. We have never been able to raise sufficient funds to attain our objectives. We are able to, and want to, do more.

While $71.2 million or $1.5 million a month is a substantial sum of money, it barely scratches the surface of the need. The excellent sports programs of our schools and colleges only partially fulfill the needs for amateur sports development in this country. While the schools and colleges maintain excellent competitive programs, they embrace less than 50 percent of the sports on the Pan American and Olympic Games programs, and the ever-increasing grip of inflation is causing the colleges and universities to eliminate many sports—except those producing revenue. Lifetime Olympic sports such as canoeing, cycling, rowing and skating are largely ignored by our school/college community, but there is a great demand for these sports throughout our country. These and other sports need greater financial help. Almost any athlete not in a school or college sport or graduated from school or college, has a difficult time continuing to participate at a high level of competition in our society.

Our one and only Olympic Training Center in Colorado Springs does not have adequate facilities available to train our athletes. The athletes at the Center are required to be transported to athletic facilities within the community of Colorado Springs and the Air Force Academy for necessary training opportunities. We are in dire need of a field house, aquatic center, velodrome and winter sports arena to effect the proper training of the athletes at the Training Center. The estimated cost of the construction of these facilities is approximately $47 million.

It is interesting to note that President Ford's Commission on Olympic Sports, after eighteen months of study and evaluation of amateur sports in the United States, estimated the one-time financial needs of amateur sports at $215 million in 1976 dollars, and an ongoing need of $83 million annually. These funds were not to come necessarily from the government, but from all public and private sources. We are the only National Olympic Committee in the world of 147 National Olympic Committees which does not seek nor receive a financial subsidy from its government.

The Commission's report, which was the document which formed the basis for the Amateur Sports Act of 1978, also specifically recommended the legislation under consideration today.

Now, I am well aware that this committee is concerned that if it approves S. 1595 for Olympic development, how can it resist availing a similar opportunity to other excellent charities in the U.S.? Let me differentiate Olympic development support from other charities.

First, the U.S.'s posture in the Olympic movement is one of the few activities where National and International prestige is at stake.

Second, those few other charitable activities that involve national and international prestige, such as academic research leading to national and international awards, all receive support from our federal government.

Third, although the USOC tries to combat, where appropriate, the use of sport for political purposes, the fact remains that sport and politics are often inextricably intertwined. While such actions have historically been done by other countries, former President Carter made international sport an instrument of American foreign policy by asking the USOC not to send its team to Moscow in 1980. We agreed because it was in the national security interest to do so. This makes our Olympic effort unique among the other great charities in the U.S. If we are important

enough to play a role in foreign policy, we are important enough for the American people to have every opportunity to support our efforts.

Fourth, the other side of the coin should not be ignored. The Soviet Union, supported considerably by its satellites, has used sport to win funds and influence people. I am informed that the Soviet Union has bilateral exchange agreements with 47 nations and expends more than $10 million annually in dispatching sports technicians and other forms of sports support around the globe. For example, under the former Prime Minister of Jamaica, Michael Manley, the Cubans built a superb sports school and athletic training complex just outside of Kingston. We want to build international cooperation through sport but we need funds to do it—funds to respond to the many requests we currently receive from many countries for sports development assistance.

Fifth, although the USOC dos not desire to have federal monies, other charities in the U.S. do desire it and receive it. Research on cancer and other diseases is funded by the government and the National Endowment for the Arts and Humanities exists to fund excellent programs in these areas. In addition, the International Communications Agency has historically funded ballets, orchestras and other similar cultural activities to travel all over the world. The ICA has done very little in the sports area because, as a matter of policy, it does not believe that sports are an important cultural activity. Almost all countries view sports as an important and integral part of overall cultural activities and most have a government ministry responsible for it. Given these conditions, the USOC must assume the reponsibility in filling this void.

Sixth, the USOC is not a member of the United Way and therefore does not receive financial support from this vehicle.

So, I think it is fair to say that the USOC is a unique activity. While the uniqueness I have outlined is largely from the international point of view, the USOC has serious domestic needs to fulfill.

We need more facilities for certain sports, particularly non-school sports in this country;

We need more sports programs for disadvantaged youth to hone their skills in a variety of sports which will keep our youth active in worthy and wholesome pursuits;

We need to improve upon the Training Center in Colorado Springs and to develop additional training centers to allow participants of all ages and skills to gain topflight coaching and medical assistance;

We need an ever-broadening National Sports Festival that continues to reach as many Americans as possible;

We need to continue to develop the sports medicine program for the proper physical and medical care of the athletes. Excellent work is being done in this area in the U.S., but there is not an effective system for collecting the information available and disseminating it to the athletes thrcugh their coaches and administrators. Periodic testing of athletes for physiological and psychological strengths and weaknesses is only beginning to become part of the usual training programs. The USOC's sport medicine program has begun to accomplish these objectives but we need additional funds in order to fully accomplish these objectives and reach athletes at all levels of development;

We need to create greater public awareness that the United States Olympic Committee provides programs for all ages and levels of ability and not only for the elite athlete;

And, we need to provide opportunities for perhaps the most determined group of all, the handicapped.

Will the American people contribute to Olympic development if the Congress approves S. 1595? Well, in 1978, when U.S. Olympic Hockey Teams were not arousing the pride and fervor of the American people, the National Broadcasting Company commissioned a poll of Americans to determine their attitudes toward our Olympic athletes. The poll showed that the USOC's work was more important than that of the Boy Scouts and the United Way and only slightly less important than the work of the Muscular Dystrophy Association. More important, three quarters of those pollled felt the government, individuals and corporations should contribute to the USOC.

I have described to you today some of the many programs conducted by your USOC. But we need funds to continue to operate and further expand our programs. Today, for example, we are operating with a negative cash flow of $1.2 million. Although this is a temporary problem, the enactment of legislation such as S. 1595 will serve to assist us over the sometime unavoidably irregular cash receipt patterns. However, our long range goal is to create a permanent endowment for

amateur sports to avoid the problem we currently face. S. 1595 would assist us greatly in the ultimate achievement of this goal.

S. 1595 will allow our government to stimulate the citizens of this great nation to contribute to the development of amateur sport. And, the passage of S. 1595 will further enhance the ability of the USOC to broaden the opportunity of all who wish to participate in one of the most valuable activities of this nation—amateur sports participation. Amateur sports participation should be a national priority and can become a national treasure with your help. Thank you.

STATEMENT OF CHRIS KNEPP, CHAIRMAN OF THE ATHLETES ADVISORY COUNCIL TO THE U.S. OLYMPIC COMMITTEE, OF TEXAS

Mr. KNEPP. My name is Chris Knepp. I am chairman of the Athletes Advisory Council of the U.S. Olympic Commitee. I am also on the board of directors of the U.S. Olympic Committee, and in my spare time I practice law with a major firm in Houston, Tex. In fact, it is the same firm with which Buck Chapoton worked before he took a job with the administration. So, such is the life of the advocate. You often end up on the opposite side, although you are friends.

Just a brief word about the Athletes Advisory Council, first. The Athletes Advisory Council was founded by the U.S. Olympic Committee in 1973 to facilitate communication between currently or recently retired athletes and the governing structure of the U.S. Olympic Committee. The council is composed of one athlete from each sport in the Olympic and pan-American games. These athletes are elected by their peers in their respective sports for 4-year terms. I was a catcher on the U.S. baseball team in 1975, and we won a gold medal in Montreal.

The role of the Athletes Advisory Council and athletes in the administration and policymaking efforts of the USOC is a major one. We are not viewed as token representatives who should be seen and not heard, rather we are now considered a vital part of every aspect of the USOC's activities. And to quote Bob Kane, as he has so often said, "The Olympics are for the athletes, they are not for the administrators."

Thus, I am here today with Edwin Moses and Donna de Varona not because the USOC thought it would be more glamorous to have athletes testify before you but because the athletes and athletic participation at all levels are what the USOC is all about, and it is the athletes and the opportunity of all Americans to participate in athletics which asks Senate bill 1595 is designed to support.

I and the athletes I represent wholeheartedly endorse S. 1595 as an excellent means to support the Olympic movement in this country. The USOC simply needs more funds if it is going to carry out the tenets of the Amateur Sports Act. We need funding to maximize the opportunity of all who wish to participate, not only the elite Olympians. And I might add a comment to Bob Kane's presentation: The Olympics most people see as something that happens every 4 years. If my memory is right, only 10 percent of the USOC's budget for the last quadrennial was devoted to sending a team to Moscow. The majority of USOC funds are used as developmental funds given to all of the sports that are members of the U.S. Olympic Committee. They are not necessarily Olympic sports; some are pan-American sports, and others are developing sports.

As I said before, we need funding to maximize the opportunity of all who wish to participate. Olympic-level competition is attained by a gifted few, but athletic participation can enrich the lives of us all. And, as you may know, polls overwhelmingly demonstrate that the American public believes that our Government should support the Olympic movement in this country. However, we in the USOC are not looking for direct Federal subsidies. But I see no problem with our Government taking a middle ground, and this middle ground is what S. 1595 attempts to cover. It develops a mechanism by which our Government can support the Olympics and athletics in this country, but without direct Federal money.

Bob Kane and others have also talked about the uniqueness of the USOC's activities and how the USOC differs from other charitable organizations. I would like to reemphasize one point which he made: The U.S. Olympic Committee has been considered and utilized as an instrument of our country's foreign policy. Whether right or wrong, President Carter's decision to ask the USOC to boycott the Moscow Olympics reflected his appreciation and an appreciation on the part of our Government that the USOC and our athletes have an international presence and an international influence that is unknown to other organizations like ours. Wherever they compete, our Olympic athletes are looked upon by the rest of the world as emissaries of our country. Moreover, because people like Donna de Varona and Edwin Moses are recognized throughout the world, they and others like them can do much to provide sports assistance to developing countries.

I have just touched upon a few of the reasons why I think S. 1595 is an excellent opportunity for our country and for our Olympic movement. Let me just say that the athletes that I represent and I wholeheartedly endorse S. 1595 and urge your favorable consideration of it.

Thank you.

Senator PACKWOOD. Thank you.

[The prepared statement follows:]

STATEMENT OF CHRIS KNEPP, CHAIRMAN OF ATHLETES ADVISORY COUNCIL OF THE USOC

I endorse S. 1595 wholeheartedly as an excellent means to support the Olympic movement in this country. The USOC simply needs more funds if it is going to fully carry out the tenets of the Amateur Sports Act.

But we don't need more funds just to fulfill the aims of the federal law. We need funding to maximize the opportunity of all who wish to participate—for those who otherwise would not have the chance to participate in sports. Olympic level competition is attained by a gifted few but participation can enrich the lives of all who play.

As Bob Kane indicated, polls show overwhelmingly that the federal government should support the Olympic movement in this country. On the other hand, we do not want direct federal subsidies in support of amateur athletics. But there is nothing wrong in taking "the middle ground", where the federal government provides a mechanism for American citizens to contribute. With the approval of the U.S. government behind a program such as S. 1595, I believe it would be a dramatic success.

Bob Kane talked about the uniqueness of the USOC's activities. Let me reemphasize a point he made. We do not receive any money from our federal government as many charities do. And unlike all other charities, we are an instrument of foreign policy, not just because of the boycott issue of 1980, but because our Olympic athletes are looked upon by the rest of the world as emissaries of this country, wherever we compete. Moreover, because people like Edwin Moses and Donna deVarona are recognized throughout the world, these and others like them can do

much to provide sports assistance to developing countries. To put things in perspective, the people of Egypt, Nigeria, Jamaica and India have never heard of a Reggie Jackson or a Joe Theismann because they are in professional sports that are not played in those countries. But Donna's and Edwin's sports—swimming and track and field—are universal. And an Olympic gold medal is the dream of millions of participating athletes worldwide.

I was not an Olympian because I was a baseball player, which is a sport played only in the Pan American Games. However, I am Chairman of the Athletes Advisory Council of the USOC. The AAC was founded in 1973 by the USOC to facilitate communication and policy making between current or recently retired athletes and the overall governing structure of the USOC. The athletes in each sport on the Olympic and Pan American Games programs elect one of their number to serve on the AAC. I am confident that I speak for all athletes when I urge favorable consideration of S. 1595.

Mr. PACKWOOD. Ms. de Varona.

I might say that Donna de Varona has been around these Halls for the last 4 or 5 years. What legislation we have passed, she is probably more responsible for it than any other thing.

Ms. DE VARONA. Thank you, Senator Packwood. It is an honor to be back here today to testify again. I think Edwin is next.

Senator PACKWOOD. Whichever way you wish.

Ms. DE VARONA. I would prefer to go last.

Senator PACKWOOD. All right.

Mr. Moses.

STATEMENT OF EDWIN MOSES, OLYMPIC ATHLETE, OF CALIFORNIA, ACCOMPANIED BY RON ROWAN

My name is Edwin Moses, and I am a representative of the track and field sector of the Olympic movement, which I believe is probably the flags above the Olympic sport in all countries, because track and field is the largest sport. Nonetheless, I would like to say that unfortunately sports and politics have been brought into the same arena, and in the last three Olympic games we saw that they cannot be separated.

I think the point should be made that (1) when American athletes are traveling overseas and competing in foreign countries, I think the degree which they are recognized is very much underestimated. For example, I have traveled and competed in Poland, East Germany, Hungary and Czechoslovakia, and the people, the citizens, of these countries really expect America to field strong teams, and in fact they are disappointed when we don't. And, with the emergence of the Eastern bloc countries as the strongest teams in Olympic competition, I think that the United States needs to really show some support. At the moment, I think Mr. Kane stated, out of 147 National Olympic Committees, the United States is the only committee in the world that has not received definitive government aid.

This is not to say that what we want is to be an Olympic team federally supported by the Government, but that some support is needed. I think that this bill will give the taxpayers the opportunity to—really, it is almost as a vote. They have the option right in front of them. They see that they can donate $1 to the Olympic movement, and if this opportunity is presented to most people, I think that they would take the option. I think it is very normal for most people not to really care too much about any operation such as this, whether it is a bill or just a donation to a private corpora-

tion. But if you have the choice, if you can vote for A or B, yes or no, then I believe that the majority of the citizens of the United States would tend to support the Olympic movement, because every 4 years is a long time to wait for the Olympic games, and I think that all the energy is building up between 1983 and 1984 for the Olympic games.

One point that must be made is that the Eastern bloc countries have started training for the 1984 games as early as 1979 and 1980, and in the United States we wait until 1984 to choose most of our teams. And the selection procedure, at least in my sport, is very haphazard and very chancey. We just expect the United States to have a strong track team. I think the last two Olympic games show that in track and field, which is the main sport in the Olympic games, the United States has been slipping year by year. In 1976 I was the only athlete to win an individual gold medal in a running event, which was very lucky because 6 months before I hadn't even run my event. So I am not really considered even normal in this case.

But to give other athletes a chance to really look at the Olympic games in perspective, even as far as hoping that there will be Olympic games in 1984, overall I think the American public needs to make a decision and needs to see it in black and white in front of them as to whether they would like to support this movement or not.

I have given my heart to athletics in general. I have given up my job and more or less become a full-time athlete because I love to do it and also because I love representing my country when I am running abroad. People really have respect for all athletes throughout, especially American athletes. Like I said, when you go to an Eastern bloc country, the fans are dying to see American athletes. They want to see American athletes win.

There is one really ironic example I can point out. I was living in Berlin this summer, and I was living with some people about a half a mile from the Berlin wall. One day I was jogging, and I was jogging right near the wall and stopped at a bridge, and I could see the guard posted on the other side. These guys knew who I was, and so they got their binoculars, looking at me and waving and taking photos. These are East German border guards. That just shows you the impact that sports has in the world. I think it takes all of the politics out of the situation, temporarily, and gives people really something to hope for.

Thank you.

Senator PACKWOOD. Thank you. That is very effective testimony. Donna.

STATEMENT OF EDWIN MOSES, 1976 OLYMPIC CHAMPION IN THE 400-METER HURDLES, WORLD RECORD HOLDER, AND WINNER OF 72 CONSECUTIVE 400-METER HURDLE RACES

During the Olympic boycott controversy of 1980, many people predicted that if we did not send our Olympic team to Moscow, the Soviet Union and their satellites would boycott the 1984 Olympic Games in Los Angeles. Nothing could be further from the truth.

The Soviet Union and their satellites view the Olympic Games as a total extension of their political systems and as an opportunity for propaganda. They would like nothing more than to come to our soil in 1984 and beat the U.S. badly. They

would then say to Third World countries that their athletic successes are proof of the superiority of their political and economic systems.

Whether we like it or not, the U.S. must face this issue and face it immediately. Our choices are three: first, we can quit international sport, saying that we can't provide the support to produce enough athletes to compete effectively against the socialist system; second, we can continue to contest these countries in the haphazard ways of the past; or third, we can respond to the challenge.

I, of course, prefer the third option. I do not want in any way to copy the socialist countries systems but I do want to defeat them. How do we do it? We do it by providing participatory opportunities to everyone who wishes to participate through our democratic institutions and free market mechanisms.

I am a fortunate athlete. I am gifted with natural ability and I was afforded the opportunity to participate in a sport that is widely conducted in our school/college community. On the other hand, the gifted Eric Heiden is an accident of geography. He grew up near the only internationally recognized speed skating rink in the U.S. before 1978. Just how many more Eric Heidens could we produce if we had a few more rinks and thousands more participating in the sport? There are many other sports such as canoeing, weightlifting and judo that have a public following but which have insufficient funds to develop. The non-school/college sports clearly have an even more difficult financial problem than the school/college sports.

Senators, when I go to compete in my event, I am viewed as an emissary of the United States. I hope and I think I have represented my country well. Yet, I am recognized more for my achievements abroad than I am here. In the U.S., the constant media commentary is always about how much a professional athlete is being paid. While I do not need media recognition to continue my participation, I do think it is long overdue that the U.S. recognize and support our nation's amateur athletes.

We seem to wake up to the needs of our Olympic athletes only once every four years. During the rest of the time we athletes labor in obscurity. I think we deserve something better, especially when we are emissaries of this country.

We don't need funds at this time to support the Edwin Moses' of the world. Rather, we need funds for the potential Edwin Moses' of the world, not just in track and field, but in speed skating, canoeing, judo, weightlifting and other sports.

My government has to do something as a representation of national policy in support of our athletes. S. 1595 is one way, an excellent way, to do it. The Olympics have an enormous impact on everyone in the world and we must respond to the challenge that confronts us. We must conduct our sports development programs in a way that is consistent with our national psyche and philosophy. The passage of S. 1595 will represent a long step forward to fulfilling the goal of achieving Olympic sports development for all.

STATEMENT OF DONNA DE VARONA, OLYMPIC ATHLETE OF NEW YORK

Ms. DE VARONA. Senator Packwood, Senator Bradley, Senator Grassley, and Senator Matsunaga. It is a privilege to be here today. I have been in the Halls of Washington; I have been committed since 1960 when I represented this country in Rome, Italy, and then again when I represented the Olympics in 1964 with Senator Bradley. I am going to ask to have my testimony given for the record, and Edwin Moses has led the way for me to just talk to you, because I think it is very important that we speak from the heart and from experience.

Mr. Kane has given you the background and why he feels the Olympic movement is important. He was a great motivator and has always been a leader in this movement, and one that has listened to the athletes.

Edwin Moses just told a story about Berlin and how the guards reached over, looked for him, and waved to him because they recognized him as a symbol. We are and have been a citadel of commitment, strength, and freedom for the world. I don't know how you can measure the hassle it is going to take and how much it is going to take philosophically to make a commitment economi-

cally to our Olympic movement through mechanisms which help this country participate as free citizens in a movement that represents them every 4 years, but I think the hassle and the commitment is worth it, especially in view of the fact when you try to measure what our Olympic hockey victory meant to all Americans in 1980—a very difficult time, a trying time for all of us, a time when our athletes were competing against the Soviet Union in an arena that placed them face to face with values that they all understood: The ability to find their own potentials, to meet each other on common ground, and to play a game fairly.

After the game the athletes shook hands, and for ever and ever those athletes will have respect for one another. And they will meet each other in different arenas, arenas that transcend politics at times. People say how is that possible? I suppose Jesse Owens has told that story in 1936. Many times it touched me. In Berlin, in 1936, when he was going for his last medal, a Berliner reached down and said to him, "Jesse, you are failing in the long jump. I know I am better than you, but I know you can beat me if you just learn this technique." This was Hitler's Olympics. And we know the politics that surrounded those games. And because of that tip, Jesse went on to win that gold medal, and afterward that German shook Jesse Owen's hand.

Jesse Owens went back to West Berlin shortly before his death, and they filled the stadium to salute him and welcome him as a man that represented a spirit in the soul that we would all like to believe in.

I think this is what we are talking about. We can sit here and haggle about tax write-offs, about checkoffs, and what it means to the Government as far as administration costs. My feeling is maybe we should get the IRS to let everybody come in and free-bid on how we can administer our tax problems a little bit better so it doesn't cost $10 to spend, of our own money, when we look at these things. I think we can find a will and a way.

We also have an opportunity in 1984, again, to play host to the world in the Olympics. In 1980, in Lake Placid, perhaps we didn't do the kind of job that we should. And the world looked at us.

I come from the perspective of the media. I come from the perspective of an athlete. I come from the perspective of knowing people like Jesse Owens and Bill Bradley. I come from the perspective of knowing that from the fields and the grassroots, because of role models and leadership and the fact that we can look toward something that touches us in a way that maybe we can't explain, like a hockey victory, or an Eric Heiden, or a Sheila Young, or a Jesse Owens, that we find leaders like Bill Bradley, like Jack Kemp, like the late Congressman Metcalf, that give us a different view, maybe, of ourselves and the immediate hassles of the way lawyers interpret bills and legislation.

The one thing that I do want to impress upon you, and the one thing that I did feel, was in 1980 we asked, as this country that does not underwrite our athletic program, we asked our athletes to make a sacrifice none of us have been ever asked to make. We asked them to give up on something that they believed in, something they worked for, not for political gain to represent their country or their State, in the Senate, or in the Congress; we asked

them to give up something that businessmen would be able to recuperate when we decided to boycott the games. We asked them to give up their soul, their heart and their mind and sacrifice when we tried to use the Olympic games as a peaceful tool in the face of aggression. We said "Athletes, represent us as goodwill ambassadors. Don't go to the Soviet Union. Represent us in this cause because we can't do it ourselves." And they voted, because they have a congress, because fortunately this Senate and Congress passed a bill called the Amateur Sports Act, where we have athletes that can present a voice. They represented you and did not go.

In 1984 they are going to represent you again, in America in 1984 at the Olympic games. The world will be looking at how we perform, and in a way they are going to represent the kind of commitment they feel, in a way, that this country owes to those athletes for that sacrifice.

Millions of viewers will be able to see these Olympic games. As you know, many of you watched the royal wedding from Great Britain. That was a tool that that government was using to popularize that government, that community. That is a tool that is available to the world. And I know that in 1984 I want to hear a lot of American anthems, I want to see young people be able to look at a Wilma Rudolph, or an Evelyn Ashrude, or an Edwin Moses representing us, and that these people are proud because they know that their Government tried to their best ability to support them, to support you, and all of us.

Thank you.

Senator PACKWOOD. Let me ask you one question. The only quasi-analagous thing we have right now is the Presidential checkoff. I say only "quasi-analagous" because there it is money that would otherwise go to the Treasury, and it is money that the Government then pays out for political campaigns with a fair degree of strings for all of the uses of the money; whereas, this is a fair distance from that.

In political giving you have the Federal Tax Credit, and in essence it says if you give $100 you can take $50 off of your tax. It is a tax credit. Oregon has an identical law. It means in Oregon you can give $100 to a political race and take $100 off your tax. It is an absolute bonanza and a cornucopia for raising money for politics in small amounts for great numbers of people. And it gives your campaigns a great, broad-based extent of participation.

If the Olympic Committee had a similar tax-status of contributors, would that be preferable to the checkoff? The reason I ask that is I don't sense any feeling of participation in those people in politics who make the checkoff in the Presidential race. They don't know they have done it, or if they do they don't have any sense of participation like they do when they are just asked to give the money.

If you had the advantage to be able to say to somebody, "Give us $50 dollars, and you can take $50 off your tax," would that be an adequate incentive to raise the money you need?

Mr. KANE. That is a question that is very difficult to answer, because we are not dealing with that particular issue. I think the attractiveness of the tax refund bill we are talking about here is that everybody has the opportunity. And we are only talking about

$1 a person. It is very difficult to come down to the commonality in this country that maybe only can afford $1 or $2 a couple, because it would cost more to bid for them than what you could get back.

Senator PACKWOOD. Does your bill limit it to $1, or $2 on a joint return?

Mr. KANE. Yes it does, sir. But it appeals to the whole populace. And I think our returns—because I don't think there is any doubt right now that the Olympic movement in this country is at the zenith of its acceptability. In fact, NBC took a poll here a year or so ago about feelings toward the Olympics. Eighty percent of the people responded that they were favorable to the Olympic movement and wanted to help. That is a most unusual kind of response.

I am probably not responding to your question, but I can't really deal with an issue that I know very little about, which is the other alternative. Maybe one of my partners can respond.

Senator PACKWOOD. I was just trying to think of a way—again, I am convinced that the person who makes that checkoff doesn't have a sense of participation—for a way to get 40 million people in this country to give $2 or $3 to the Olympic Committee, since this would give you a fertile field of support in every community in the country, beyond what you have now, as for instance writing a check for, say, $20 or $10 as opposed to the checkoff. But the checkoff wouldn't take any great network to encourage people to do it. You can use television advertising about the time that the taxes are prepared, and I think people would probably do it. The Olympic Committee has a good reputation. It is an interesting question.

Mr. KNEPP. Mr. Chairman, may I make a comment?

Senator PACKWOOD. Sure.

Mr. KNEPP. I think we can't ignore, as you have noted, the convenience factor. We presently have a system where people can send us a check, make a donation, which is tax deductible. But as I said, the convenience factor I think is important. I speak to various groups in Houston and around the country, and I am always asked afterward, "Well, what can we do to help the Olympics? We liked what you had to say. We are interested."

My response one, is you can make contributions which are tax deductible, and we have an Olympic Job Opportunities program where employers can employ Olympic caliber athletes and allow them time off to train. So there are some options available now, but it all requires an effort. We are very thankful that there are a good number of people who want to make that effort. But, as we know, we all value our democracy, we all have the right to vote, but it takes an effort to get down to the polling station. The statistics are, if my memory is right, less than half of our population makes that effort to go down and pull the lever. So I think we can't ignore the convenience factor and what that would mean to us to have it, as Edwin said, in black and white in front of someone when they are paying their taxes.

Senator PACKWOOD. Senator Grassley.

Senator GRASSLEY. Mr. Kane, at the end of your testimony you said that you would be willing to have the administrative costs for this come off the top. Right?

Mr. KANE. A fair administrative cost.

Senator GRASSLEY. I was just wondering if you had thought that through, and whether there would be any money left.

Mr. KANE. No. I had certainly not ever expected there would be a $10 cost for a $1 contribution. [Laughter.]

But I think maybe that is a little inflated. I can't see where the costs are going to be that onerous.

Senator GRASSLEY. But that is something that you are seriously suggesting to our consideration of this legislation?

Mr. KANE. Yes, sir. We don't want to have this cost the Government anything, and we don't think it should.

Senator GRASSLEY. I do want to submit my testimony.

Senator PACKWOOD. Right.

[The prepared statement follows:]

PREPARED STATEMENT OF SENATOR GRASSLEY

Mr. Chairman, I am concerned about some aspects of S. 1035 and S. 1595. S. 1035 permits an individual to designate a portion of his tax refund or send a check to the IRS if a taxpayer is not overwithheld as a charitable contribution to the National Endowment for the Arts or the National Endowment for the Humanities. S. 1595 allows an individual to use the same mechanism for a $1.00 donation to the Olympic Development Fund. No one can deny the good intentions of the sponsors or the merits of the organizations who would benefit from this bill; however, their practical effect is troublesome to me.

There are three areas of particular concern to me. One is the precedential effect of choosing one charity over any other charity. These are difficult distinctions to draw and I think all of us in Congress may regret having embarked upon this path. Two is the confusion these provisions will cause the taxpayer in attempting to file a short form, which was further complicated by our recent enactment of the Economic Recovery Tax Act of 1981. Three is the administrative difficulties this approach imposes upon the Internal Revenue Service. I shall outline my concerns in greater detail.

I believe these bills may set a bad precedent. Can we, as legislators, honestly say that the Olympic Development Fund should be able to use the tax collection system for soliciting contributions while the American Cancer Society cannot? Is it possible for us to draw the line between the National Endowment for the Arts and the Boy Scouts as to which is the more worthy recipient of this federal benefit? As an elected representative of the people of Iowa, I feel very uncomfortable deciding which charitable enterprises should be entitled to use the tax system to collect contributions and which should not. If we included a different checkoff for each worthy charitable enterprise, assuming we could come to some agreement on a definition of "worthy," the 1040A could no longer be accurately referred to as the short form. In my view, the enactment of this legislation would establish an undesirable precedent by forcing Congress to determine the relative merit of individual charitable enterprises.

Second, these two bills will result in a great deal of taxpayer confusion. These provisions are unlike the presidential checkoff. If a taxpayer checks the presidential box, that $1.00 contribution diminishes a taxpayer's tax liability by $1.00, that is, he pays $1.00 less tax. Under these two bills, the checkoff is added to the taxpayer's liability and diminishes his or her refund check. I think many taxpayers would assume that a checkoff has the same effect as the Presidential checkoff with which they are familar. To call both provisions checkoffs is misleading and confusing. If these provisions were enacted, I'm afraid we'd have lots of disappointed taxpayers when their refund checks rather than their tax liability were reduced by their generosity.

A specific problem of complexity arises out of the interaction of the proposed bills with the recently passed Economic Recovery Tax Act of 1981. The new law allows a short form filer to take a charitable contribution deduction as well as the standard deduction which assumes some charitable giving. If these provisions were enacted, a short form filer would deduct his contributions for one year and then route additional dollars to the Olympic fund of National Endowment fund of his choice for the next taxable year. The possibilities of taxpayer error increase dramatically when you have a taxpayer claiming contributions for one year on a 1040A and then checking off certain contributions for the following year on the same 1040A. The next year this taxpayer will have to compute his checkoff contributions plus any

other charitable contributions he makes on his 1040A, and then determine what his checkoff contribution will be for the succeeding year. In short, I feel the potential for taxpayer error and confusion are great.

Finally, this legislation puts a tremendous burden on the IRS. The Service is facing a 12 percent cut in its budget. Now is not the time to give it the additional responsibilities of checking and recomputing vast numbers of returns because of these changes. Furthermore, remitting money to the various charities, endorsing over checks and accounting for all of the additional cash will force the Service to hire or transfer personnel to accomplish these tasks. I do not feel that federal dollars should be used for this purpose at the expense of other revenue collection efforts of the IRS.

In conclusion, I think these bills create some very undesirable side effects outside the contemplation of their sponsors. Charitable giving is an important part of American society, but I think this would be an unfair and confusing way to encourage that traditional national behavior.

Senator PACKWOOD. Senator Matsunaga.

Senator MATSUNAGA. Thank you, Mr. Chairman.

I wish to commend all of you for the wonderful testimony you all presented. At one time, some of you may recall, I tried the checkoff system in parallel to the Presidential checkoff, but couldn't get to first base. Maybe it was because I wasn't too good a ballplayer.

Just how much do you anticipate receiving by this bill which is now before us? Mr. Kane, have you made any calculation?

Mr. KANE. Well, it is our understanding that there were 64 million people who had tax returns this past year. And based on the NBC poll, where 80 percent of our people in the United States responded to that poll wanted to help the Olympics, we would hope that upwards of that number—it is really a very small amount, $1 a person, and when you are getting a tax refund I don't think many people would consider that a hurtful contribution.

So we would hope to get more than half of the 80 percent who get tax refunds to continue to do this over a period of years.

Senator MATSUNAGA. That will be about $20 million?

Mr. KANE. Well, there were 64 million who had tax refunds. We would be hopeful that half of them would be responsive to a $1 contribution.

Senator MATSUNAGA. Thirty-two million. That's not bad. But I would not agree to any suggestion of taking it off the top, because at a dollar-per-return, heavens, you would be owing the IRS.

Well, thank you.

Mr. KANE. That is most reassuring, Senator. [Laughter]

Senator PACKWOOD. Senator Bradley.

Senator BRADLEY. Thank you, Mr. Chairman.

How many people made contributions to the U.S. Olympic Fund in the last year? Do we know that?

Mr. KANE. Can you answer that, Ron?

Mr. ROWAN. We can get it and supply it for the record.

Senator BRADLEY. I think that that figure might give us some ball park number for how many might take advantage of the credit. I mean, a deduction is not a credit, but at the same time it requires relatively the same procedure. Instead of getting half you would get the whole amount, if it were a credit as opposed to the deduction and you were in the 50-percent bracket.

Mr. KANE. I would like to respond to that by referring to what Senator Packwood said previously, that you want the American public to participate. There is such a greater chance of participa-

tion by the people who can't afford to give large amounts by having a device that will permit them to give $1 or $2. Our appeal to the American public is really aimed at the larger givers, because not many people send us $1 or $2. If they contribute, they contribute in greater numbers than that. We would open it up to many more of our populace who favor the Olympics by this device than the ones we have now.

Senator BRADLEY. You would want this checkoff on all tax returns, both those that are complicated and those that are very simple?

Mr. KANE. It is my understanding it would be on the tax return to checkoff if you do receive a refund. So it would be on all tax returns.

Senator BRADLEY. I think my own personal feeling is somewhat biased because I have some more or less, firsthand experience in this area, but I think there is a general desire to assist in some way to make sure that the Olympic movement is at least financed. I think that your scores are all indicative of the problem that you face when you run against people from other countries that have very sizable government support.

I think your testimony has been very helpful, and I hope we can find some way to make this work before—let's see, when will the TV ads start before the 1984 Olympics? Sometime before?

Ms. DE VARONA. ABC has already started with their Marathon in the Park.

Senator BRADLEY. Sometime before the public has a chance to focus on this event. I appreciate your testimony.

Senator PACKWOOD. Does the Olympic Committee attempt to raise money by direct mail?

Mr. KANE. Yes, sir.

Senator PACKWOOD. Is it successful?

Mr. KANE. Yes, it is successful. But there, again, it is to the larger giver, Senator.

Senator PACKWOOD. You don't direct a broad-based mail appeal to millions of smaller donors?

Mr. KANE. No, sir. It isn't feasible or practical to do it that way.

Senator BRADLEY. Well, Senator Packwood is speaking with some experience here, since he has directed a broad-based mail appeal for the Senate Republican Campaign Committee, very successfully.

Senator PACKWOOD. Well, I will even go further than that. When I ran for reelection last year, I had been so long involved in the prochoice fight on abortion that Gloria Steinem signed a letter for me, and I raised $100,000 on an average contribution of about $14 apiece. Thousands of donors. And the Olympic Committee should bring out more, still, than I did. I am convinced there are millions and millions of people out there who would give $10 and $20 apiece.

Mr. KANE. Well, there aren't millions and millions, but we are, as I said earlier, at the very zenith of our acceptability. And we are doing very well, better than ever before.

The one propitious thing that came out of the boycott is that never has the Olympic movement and the Olympic athlete been held in such high regard. And we are really now about four or five times ahead of any other period in history in our contributions.

Ms. DE VERONA. But I would like to point out: I did concentrate a lot about the victory and the winners and the role models. But, as was pointed out by Chris, only 10 percent of the money that comes in goes back out directly to the athlete. Because of the previous Congress the Olympic Committee has been mandated to reach the grassroots. And with budget cuts in colleges and womens sports and the growth in the calendar and physical-fitness boom, the Olympic Committee has the responsibility to administer many more programs. And we are reaching many more athletes. Because of it we are getting more response, physical fitness, and all those other byproducts that we could spend an hour talking about, but which we don't have. So I think that that is another way to get the word out that the Olympic movement isn't just for the Olympic athletes but it is an ongoing thing, and it is for everyone. And that is why the tax checkoff is a good method.

Senator PACKWOOD. Let me congratulate you generally for a well-rounded presentation. It is a pleasure to have a panel that has coordinated their testimony ahead of time.

Ms. DE VERONA. Thank you.

Senator PACKWOOD. Often we have a panel, and I think, though they are testifying on the same subject they have almost never met each other.

Senator Matsunaga.

Senator MATSUNAGA. Mr. Chairman, the biggest issue, of course, looking at it from an international viewpoint, is peace. Now, what would you say the Olympics contribute toward peace, if any?

Ms. DE VERONA. Senator, may I answer that question?

Senator MATSUNAGA. Yes.

Ms. DE VERONA. I was just in Baden-Baden, Germany, for the U.N. of Sports, where all the IOC members from all of the different countries met for a congress to decide on where the next Olympics would take place. They decided on Seoul. Korea, and they decided on Calgary, Canada. These are members from all over the world.

But I experienced something for the first time that was one of the most rewarding experiences I have ever had. Thirty-five athletes voted by their international federations for leadership and their contribution to their sport in the World International Federation were asked to come and represent athletes' needs to the IOC Congress.

IOC members are older; they are more manipulated; they have more pressures on them from their governments; et cetera. Thirty-five athletes including Teophiello Stevenson, the hockey player from the U.S. hockey team, Kip Kenyo, and many others, sat down and in 3 days broke up in groups to pick leaders and spoke with unanimous consent on issues of politics and sport, doping, the Olympiad—and this is your question—how can we take the Olympiad and spread peace-through-sport through this group?

This was a diverse group, and they had a single mind because they had represented their countries with a common interest, and they undersood each other through sport. And it was an incredible accomplishment. The press didn't report it well here, but all over Europe these athletes walked hand-in-hand as they made their presentations. So, maybe that will give you an idea of what I experienced and how important it is.

Senator MATSUNAGA. I remember when I was a kid we used to have these volunteer leagues: the Hanapapai team against the Mahkowala team. When the Hanapapai team won, everything was all right; but when Hanapapai team lost, we got into a fight with the other team, beat them up in a fistfight, instead. I was wondering whether the athletes competing in the Olympics feel closer to those against whom they competed after the contest or feel a degree of enmity, saying "Well, I'll get you next time, brother."

Ms. DE VERONA. It could be a little bit of both.

Mr. KANE. Senator, very briefly I would like to say a few things in addition to Donna's fine statement.

It has been my experience, and I have been rather amazed by it, that the athletes of the Soviet Union and the athletes of the United States seem to have a rapport at the games as no other two countries.

Athletes on the whole are nonpolitical, apolitical, or however you want to say it. They do respect each other's talents. Sure, athletes are disappointed when they lose, but on the Olympic level, on that kind of world-class level, you don't have the fisticuffs after the game. In fact, they have great respect for each other. Ed Moses has referred to that, and he certainly knows it.

As you recall, the whole country of China was opened up after a long vacuum by the Ping-pong team, now called Ping-pong diplomacy. I think that international sport is one of the great peaceful efforts in the world. I don't think it is recognized as it should be.

Senator MATSUNAGA. I tend to agree with you.

Mr. KANE. Thank you.

Senator PACKWOOD. Thank you very much.

Ms. DE VERONA. Thank you.

Senator PACKWOOD. Thank you very much for an excellent presentation. We appreciate it.

We will conclude today with Mr. William Hybl, vice president and executive director of the El Pomar Foundation, Colorado Springs.

Again, I will put your entire statement in the record. We are delighted to have you with us. Go right ahead.

STATEMENT OF WILLIAM J. HYBL, VICE PRESIDENT AND EXECUTIVE DIRECTOR OF EL POMAR FOUNDATION OF COLORADO SPRINGS, COLO.

Mr. HYBL. Thank you, Mr. Chairman. I certainly want to express the appreciation of the El Pomar Foundation to this committee and Senators Armstrong and Hart for their sponsorship of S. 1745.

The El Pomar Foundation, which is located in Colorado Springs, was established in 1939 by Mr. and Mrs. Spencer Penrose. The Foundation basically evolved out of the Utah Copper which ultimately became Kennecott Copper Co.

We are here this morning to ask this committee to consider an amendment in the Internal Revenue Code under section 4943 which would allow the El Pomar Foundation to retain ownership of the Broadmoor Hotel. We were present and listened to the testimony of the Department of the Treasury and we feel that the two areas on which Treasury objects to this particular bill should be met.

First of all, Treasury stated that foundations in general, and El Pomar in particular, should have managers that do not devote their time to running a profit-making entity. We understand this situation and this is why El Pomar Foundation has professional managers and assistant managers who do the actual operation of the hotel. It is not done by those trustees or, in particular, the officers of the El Pomar Foundation.

The El Pomar Foundation is a nontaxable entity as a private foundation; however, Broadmoor Hotel, Inc. is just like IBM, General Motors or General Mills. It pays full taxes, and is not unfairly competing with other tax-paying entities throughout the country.

The question is posed: Why is El Pomar any different from a variety of other foundations? S. 1745 is drafted through its various provisions so that it only applies to El Pomar. We haven't been able to find any other foundation which would fall within the specific provisions of the bill.

We think the Broadmoor Hotel is not only an integral part of the Colorado Springs community, as Senator Armstrong points out, but is unique in several ways. The most important aspect as far as the El Pomar is concerned: it is a good investment. Because of development in the Colorado Springs region we found that the land which is owned by the Foundation through the Broadmoor, has certainly increased in value. Consequently, the Hotel is in the process of maximizing the amount of land that to be sold which increases dividends to the Foundation, which in turn increases the amount of money for grants to various charitable entities throughout the State of Colorado.

I would direct the chairman's attention to appendix A which we have attached to our prepared statement. This shows the depth and breadth of the grants which have been made by the El Pomar Foundation. Specifically, the El Pomar Foundation funded with $17 million assets has since 1937 made over $66 million in grants and still retains a corpus approaching $100 million. Grants reflect a sum four times the initial amount made by bequests from Mr. and Mrs. Spencer Penrose, and places the Foundation in a posture where through the years it has managed its assets well for the public benefit.

The U.S. Senate and this committee recognized a unique situation in 1969 when it passed a specific exemption which would have allowed the El Pomar Foundation to retain the Broadmoor Hotel.

It goes without saying that we certainly appreciate the consideration of the committee. We think the El Pomar situation is one of a kind and were very pleased to have an opportunity to present this testimony.

Senator PACKWOOD. Mr. Hybl, I have no questions. I think the case is quite justified, and you will have my support. I was in the Senate in the past and I remember the circumstances then. I appreciate your patience in waiting this long while the other witnesses testified.

I have no questions.

Mr. HYBL. Thank you. I certainly enjoyed their testimony, too.

Senator PACKWOOD. Thank you very much.

The hearing is concluded.

[Whereupon, at 11 a.m., the hearing was adjourned.]

[The prepared statement follows:]

TESTIMONY OF THE EL POMAR FOUNDATION

Mr. Chairman and members of the Subcommittee on Taxation and Debt Management, my name is William J. Hybl. I am Vice President and Executive Director of the El Pomar Foundation located in Colorado Springs, Colorado. I certainly appreciate the opportunity to appear this morning to testify in favor of Senate Bill 1745 which grants relief to the El Pomar Foundation from Sec. 4943 of the Internal Revenue Code. It is helpful to understand the background of the El Pomar Foundation and its 100-percent ownership of Broadmoor Hotel, Inc. The Broadmoor Hotel was built in 1981 in Colorado Springs, Colorado by Spencer Penrose and was intended and continues to be one of the truly fine resorts in the world. Spencer Penrose directed prior to his death in 1939 the charitable purpose of the Foundation was to use the principal and income of the Foundation "for such charitable uses and purposes (including public educational, scientific and benevolent uses and purposes) exclusively as will, in the absolute and uncontrolled discretion of the trustees of the corporation most effectively assist, encourage and promote the general well being of the inhabitants of the State of Colorado".

Spencer Penrose, founder of El Pomar Foundation, was one of the pioneers in the development of the Pikes Peak region of Colorado. He first came to Colorado Springs in 1891. Over a period of the next 25 years he accumulated a substantial fortune from real estate and mining activities in that area. His first big strike came from his ownership of an interest in a gold mining claim, the Cash on Delivery Mine in the Cripple Creek area. His largest gains were made from the Utah Copper Company which was formed by him and his associates in the early 1900's. The Utah Copper Company was ultimately merged into Kennecott Copper Company in 1923.

About 1915 Spencer Penrose began to turn his attention from mining to the investment of his fortune and to his other interests which were of a less profitable but more satisfying nature. In 1915 he commenced the construction of an automobile highway to the summit of Pikes Peak which was completed in 1916 at a cost of half a million dollars. He inaugurated the Pikes Peak Hill Climb for automobiles which continues to the present time. The highway up Pikes Peak has since been donated to the government and is now operated by the City of Colorado Springs.

In about 1916 Mr. Penrose began his animal collection which ultimately became the Cheyenne Mountain Zoo. In this same year he began construction of the Broadmoor Hotel which was completed in 1918 with a formal opening June 29, 1918. In about the year 1925 he constructed an auto highway to the top of Cheyenne Mountain and a lodge at the summit. Later he constructed the famous Will Roger Shrine of the Sun on a granite peak of Cheyenne Mountain in honor of his good friend Will Rogers.

During its 41 years of existence the Foundation has made charitable grants of over $66 million, including, The Colorado College, The Penrose Hospital for Cancer Research, the Regional Library for the City of Colorado Springs, the University of Denver, Chicano Education Project and Domestic Violence of Colorado Springs. (Appendix A). The Foundation has generally used its funds for involvement in capital construction programs and rehabilitation of existing facilities.

The Foundation has continued to own the Broadmoor Hotel and hired management which has oriented itself to the needs of the people of Colorado Springs and Colorado in general. The directors of the Foundation have consistently placed service to the community and the general welfare of the residents of the State of Colorado as highest on their list of priorities. The Broadmoor Hotel is subject to corporate income tax imposed by Sec. 11 of the Internal Revenue Code in the same manner as other hotel corporations or any tax-paying corporation for that matter.

There is no donor control of El Pomar Foundation. Its founder, Spencer Penrose, died in 1939 and his wife in 1956. Since then there has been no member of the Penrose family associated with the Foundation or its holdings in any capacity. There have been no instances of self-dealing, and the Foundation has consistently distributed all its net income for charitable purposes on a current basis in compliance with prevailing law. (Appendix B) The trustees have never made any investments which were not motivated by the specific charitable purposes of the Foundation or which would in any way jeopardize the ability of the Foundation to do so. The Foundation prints and distributes an Annual Report with financial statements, guidelines and other correspondence so that the people of Colorado will know how the funds of the Foundation are available, being managed, and distributed for their benefit.

During consideration of the 1969 Tax Reform Act the Senate Finance Committee received written testimony from the trustees of El Pomar Foundation urging the

Committee to delete the provision in the House-passed Bill requiring private foundations to divest their excess business holdings. In their testimony the trustees set forth the history of the El Pomar Foundation, the charitable activities of the Foundation and the adverse effects on the Colorado Springs community if the Broadmoor Hotel were required to be sold by the Foundation.

"Our greatest concern is the future of the Broadmoor Hotel. If the Foundation were required to sell the Broadmoor the only poetential purchasers who could afford to purchase it would be major hotel chains or perhaps one of the large conglomerate corporations. In either event the result would be absentee ownership by an organization which had no special interest in the welfare of Colorado Springs or the inhabitants of Colorado generally. Indeed, management of such an organization would probably not even be aware of many of the problems of the area. Any organization which was oriented primarily towards the profit motive rather than public service would undoubtedly curt ' many of the activities presently being conducted by the Broadmoor . . . We submit there is nothing inherently bad in having a charitible foundation own a controlling interest in a business enterprise. We see nothing wrong in having the profits of an operating business corporation inure to the benefit of the public at large, rather than just to certain private stockholders. We think the public welfare is better served by having the beneficial ownership of the broadmoor Hotel in the citizens of the State of Colorado rather than the stockholder of some major hotel chain corporation. . . ."

Senator Gordon Allott of Colorado testified in 1969 before the Finance Committee in support of the written remarks of the trustees of the El Pomar Foundation (Senate Finance Committee Hearings page 4357). In response to this testimony the Senate Finance Committee provided a grandfather clause for the El Pomar Foundation. The grandfather clause, which would have allowed retention of the Broadmoor Hotel by El Pomar Foundation, was passed by the Senate; however, was then omitted in the Conference Committee Report. The current law, Section 4943, as approved by the Conference Committee and signed into law by the President in 1969, provides that with regard to a business that is one hundred percent owned by a private foundation as of May 26, 1969, there is required a three-stage period of forced divestitute.

(1) During the 20-year period, 1969 through 1989, the private foundation may continue to own 100 percent of the stock of the business.

(2) By May 26, 1989, however, the foundation must reduce its ownership to 50 percent.

(3) Finally by May 26, 2004, the foundation must reduce its ownership by 35 percent where it may remain forever.

El Pomar Foundation seeks legislation which would recognize its position as a foundation established over forty years ago with no substantial contributors or relatives associated with its operation for the past 25 years.

The legislation before you today proposes the El Pomar Foundation be exempted from the divestiture requirements under Section 4943 of the Internal Revenue Code. The El Pomar Foundation would submit the following:

Under the existing law, any and all prospective buyers of the El Pomar Foundation's interest in the Broadmoor Hotel can take unfair advantage of the Foundation since the Foundation is under a legal mandate to sell at least 50 percent of its interest in the hotel by 1989. The prime concern of the El Pomar Foundation trustees is to realize the top dollar value for the Broadmoor Hotel and to continue and expand the charitable activities of the El Pomar Foundation.

The fact is The Broadmoor is one of a kind and certainly the sort of institution which has a relatively small market for sale. There is very indication there are those organizations which do have an interest in purchasing the hotel but are also aware of the divestiture requirements. This has placed potential purchasers in the sound business position of waiting for the approach of 1989 so El Pomar Foundation will be forced to bargain for sale. As previously indicated the hotel is r ot a readily marketable entity. In fact, it is sui generis. This is a unique situation, for a potential purchasing entity would be not only buying the Broadmoor Hotel but the many surrounding improvements including Broadmoor World Arena, Broadmoor ski area, three eighteen hole golf courses, and numerous other associated and related activities. In addition, the Broadmoor Hotel has nearly 2,000 acres of land adjacent to the hotel which, because of development in the Colorado Springs area now can be sold to prospective developers in small parcels. The first sale of land was made this October (1981). These sales will continue to increase the net income of Broadmoor Hotel and the dividends received by the El Pomar Foundation which in turn are devoted to charitable purposes.

The mangement which has been hired by the Foundation to operate the Broadmoor Hotel has certainly placed the interests of the Pikes Peak region and the State

of Colorado at the forefront. The Broadmoor Hotel has endeavored to be a good citizen of the community as it does have local ownership. There are many in the community who feel the uniqueness of this situation and local ownership is a very strong reason for continued ownership by the El Pomar Foundation.

Many of the abusive factors that lead to the foundation legislation in 1969 have been corrected. The legislation itself certainly was a catalyst which forced many foundations to comply and to continue to strive to serve the public better. As has been previously pointed out one of the prime reasons for the 4943 provision, the operation of business entities free from the influence of the grantors of the Foundation or their lineal heirs, has been met. It should be stressed that the Broadmoor Hotel operates under exactly the same tax burdens as a privately owned hotel and is not placed in a posture where it is unfair competition to other privately owned entities.

It is for the foregoing reasons the El Pomar Foundation respectfully requests your positive considerations of Senate Bill 1745.

APPENDIX A.—*El Pomar Foundation; grants paid 1937 to September 1, 1981*

Education:	
Higher education:	
The Colorado College	$9,407,812
The Colorado College (minority and handicapped scholarships)	1,000,000
Air Force Academy Foundation	1,005,000
Colorado Women's College	652,735
University of Denver	4,606,195
Other private and State colleges	3,976,514
Secondary education:	
Colorado Outward Bound	580,000
Chicano education project	115,000
Fountain Valley School	3,502,745
Total	24,846,001
Health:	
Penrose Hospital and cancer research	11,891,830
Other hospitals	987,837
Various	1,062,241
Total	13,941,908
Humanities:	
Central City Opera House Association	436,750
Cheyenne Mountain Museum and Zoological Society	9,335,599
Colorado Springs Fine Arts Center	1,985,988
Colorado Springs Symphony	257,200
Citizens for a Theatre Auditorium	1,500,000
Various	1,988,755
Total	15,504,312
Religion: Various	1,473,599
Resources and environment:	
City of Colorado Springs Library	2,203,872
Garden of the Gods lands purchase	250,000
Various	310,586
Total	2,764,458
Welfare:	
Boys Club Association	505,278
Boys and Girls Scouts	410,479
United Way	1,626,186
YMCA-YWCA	1,800,000
Chins UP	38,000
Workout Limited	55,000
Domestic violence	40,000

Brockhurst Boys Ranch	140,000
Various	880,204
	5,495,147
Other:	
U.S. Olympic Committee	750,000
Various	1,467,059
Total	2,217,059
Total grants paid to September 1, 1981	66,242,444

EL PONAR FOUNDATION - Summary of income and contributions paid from December 31, 1937, through December 31, 1980

Year	Revenues	Expenses	Excise tax	Excess of rev. over expenses	Contributions paid	Balance
12/16-31, 1937	64 650	7		64 643	84 474	(19 831)
1938		6 064		(6 064)	55 254	(61 318)
1939	13 425	6 288		7 137	74 700	(67 563)
1940	365 675	6 745		358 930	100 933	257 997
1941	323 950	6 823		317 127	403 697	(86 570)
1942	347 235	12 569		334 666	248 250	86 416
1943	405 369	23 698		381 671	199 842	181 829
1944	422 116	36 647		385 469	316 611	63 853
1945	473 592	14 814		458 778	282 985	175 793
1946	426 129	10 241		415 888	466 371	(50 483)
1947	438 343	16 519		421 824	366 982	54 842
1948	454 509	12 132		442 377	454 112	(11 735)
1949	452 590	11 159		441 431	693 150	(251 719)
1950	469 392	10 380		459 012	413 945	45 067
1951	470 987	10 983		460 014	540 204	(80 190)
1952	473 872	9 985		463 887	534 532	(70 645)
1953	573 689	10 481		563 208	725 855	(162 647)
1954	1 429 630	11 081		1 418 549	563 224	855 325
1955	1 982 573	10 995		1 971 578	536 961	1 434 617
1956	1 188 831	10 757		1 178 074	1 288 246	(110 172)
1957	1 152 420	11 648		1 140 772	1 569 697	(428 925)
1958	1 032 179	11 797		1 020 382	1 895 458	(875 076)
1959	1 162 431	14 077		1 148 354	1 502 715	(354 361)
1960	1 099 459	14 483		1 084 976	916 312	168 664
1961	1 107 373	14 872		1 092 501	1 169 770	(77 269)
1962	1 110 248	11 123		1 099 125	1 501 597	(402 472)
1963	1 263 162	9 487		1 253 675	1 465 215	(211 540)
1964	918 929	9 524		909 405	920 388	(10 983)
1965	1 686 301	10 834		1 675 467	1 404 550	270 917
1966	1 872 239	9 902		1 862 337	1 166 266	696 071
1967	1 517 824	8 786		1 509 038	1 558 009	(48 971)
1968	1 520 504	9 239		1 511 265	2 394 193	(882 929)
1969	3 020 870	14 754		3 006 116	3 071 317	(65 201)
1970	3 223 159	14 334	128 926	3 079 899	3 219 560	(139 661)
1971	2 697 739	22 473	113 987	2 561 279	2 670 676	(109 397)
1972	3 069 599	18 907	132 276	2 858 416	4 816 968	(1 958 552)
1973	3 138 228	23 991	125 057	2 992 180	3 122 686	(130 506)
1974	3 360 425	21 115	133 345	3 300 965	3 386 353	(85 388)
1975	3 385 569	21 739	136 163	3 247 967	3 108 275	139 692
1976	3 526 836	33 107	131 136	3 362 553	2 959 936	402 557
1977	3 963 095	44 620	135 973	3 782 502	1 967 287	1 815 215
1978	3 371 607	47 100	71 622	3 256 885	3 283 416	(27 531)
1979	3 559 434	65 333	67 925	3 426 195	3 419 943	6 252
1980	3 964 343	63 825	67 854	3 832 644	3 998 684	(66 040)
	66 573 849	762 518	1 269 314	64 542 017	64 739 684	(197 667)

STATEMENT BY DONNA DE VARONA, WINNER OF TWO GOLD MEDALS IN SWIMMING, 1964; MEMBER, PRESIDENT'S COMMISSION ON OLYMPIC SPORTS: NBC SPORTS COMMENTATOR; AND PRESIDENT, WOMEN'S SPORTS FOUNDATION

I returned recently from Baden-Baden, West Germany where the UN of sports, the Olympic Congress, met. This meeting is a whole lot larger than a meeting of the baseball owners or the NFL Players association. The meeting encompassed the whole world. Yet, it was barely reported in our nation's media.

The whole world says that soccer is the number one sport. We say football and baseball. I love football and baseball but we ought to recognize that we, the U.S., are out of step with the rest of the world.

The Olympic sports present an opportunity to work with other countries to further goals that are very important to them. Just as the World Series and the Super Bowl are important to us, an Olympic Gold Medal won by a developing nation's athlete is equally important. We simply do not recognize this.

The Olympics are not just a "once in four years event". They are a constant force in the world and we Olympians are a role model in this country in some sports and a role model in every sport to some developing countries.

Recently, the Women's Sports Foundation sponsored a motivational symposium by Olympians Bob Beamon, Floyd Patterson, Lacey O'Neal and me. Over 800 inner city children attended to hear what we had to say—because we were Olympians.

I am confident that because of the motivational speeches and conversations we offered that day, aspiring Olympians will emerge. Remember: these are children that need a worthwhile pursuit. We need to do more of this.

This is not the first time I have appeared before a Senate or House Committee to plead the case of amateur sports and Olympic development in this country. And frankly it's time to act—to do something that indicates national support for our Olympic development program.

You've heard the perspectives of Bob, Chris and Edwin on the need. I cannot add anything more.

Does it take a Sputnik to arouse you? If so, do nothing and wait for the time when the U.S. wins only three or four gold medals in an Olympic Games; wait for the time when colleges and high schools drop all sports for men and women except the revenue producing sports of football and basketball; wait for the time when track clubs, operating on a shoestring, have no more shoestring.

Bob Kane has told you why the U.S. Olympic movement is unique from other charities. We are not subsidized by the federal government and we don't want to be; we don't receive any federal grants and we don't want any. But what we do want is a national commitment and recognition from our government that what we do is important.

I know what we do is important and S. 1595 is one small way to prove Congress' recognition of that importance. No tax money is being allocated to the USOC under S. 1595. But what is being recognized is a federal commitment—a policy, if you will—that Olympic development is important in this country and internationally. On behalf of Bob, Chris and Edwin, I want to thank Senator Inouye and Senator Stevens for their continued support on this matter. They recognize the importance of what we Olympic athletes are trying to do. There is a need now for the rest of Congress to recognize the importance of what we are trying to do.

[By direction of the chairman the following communications were made a part of the hearing record:]

TESTIMONY OF CONGRESSMAN FRED RICHMOND

Mr. Chairman, distinguished colleagues of the Subcommittee, I would like to thank you for the opportunity to submit testimony on an important proposal which would provide much needed financial help for our nation's cultural and educational institutions.

"America's Arts and humanities are vigorous in spirit, though frail in financial health," states the recently released Report to the President by the Presidential Task Force on the Arts and Humanities. The financial health of the nation's cultural institutions, aggravated over the last decade by a steadily increasing inflation rate, faces greater problems in the coming decade. Decreased support from the public sector has halted a sixteen-year growth in federal appropriations for the arts and humanities, and the recently passed tax changes may cause a reduction in support from the private sector. The proposal before the Subcommittee is suggested as a means to help cure the financial ills of America's cultural institutions. By

providing for a voluntary checkoff box on federal income tax returns, this legislation would allow individuals to contribute all or part of their tax refunds or even pay additional taxes in support for America's arts and humanities.

GROWTH IN ARTS PARTICIPATION

As the decade of the 1980s begins, interest and participation in the arts continues to increase. A 1980 nationwide poll conducted by Lou Harris Associates clearly delineates this trend. The Harris poll, "Americans and the Arts," was also conducted in 1975, and a comparison of the results of the two studies shows a remarkable growth in the percentage of the population participating in all areas of artistic activity:

	Percentage of population	
	1975	1980
Participating in art form:		
Photography	19	44
Music	18	30
Creative writing	13	22
Ballet/modern dance	9	20
Sing in choir	11	21
Painting	22	28
Pottery/ceramics	8	18
Thater		

The percentage of the population attending artistic events has also greatly increased since 1975:

	Percentage of population	
	1975	1980
Attendance:		
Theater	41	59
Live popular music	36	48
Live classical music	18	26
Museums	44	60
Dance performances	16	25

Although the Harris studies show the growth of participation and attendance, a substantial percentage of Americans do not have cultural facilities easily available to them. The 1980 survey showed that:

33 percent of the population state they do not have ready access to theater;
30 percent do not have a center nearby where they can learn arts and crafts;
46 percent have no concert hall near their home; and
41 percent have no accessible museum.

Obviously, with the increasing interest in the arts and the demand for cultural facilities, America's performing arts centers, museums, and educational institutions will need even greater assistance from all sectors of society.

NONPROFIT SECTOR THREATENED

Arts organizations as well as all of our nation's nonprofit institutions face a greater demand for services at a time when support from the public sector is dwindling. Furthermore, the recently enacted tax changes threaten to decrease badly needed support from the private sector.

A study completed this past August by the Urban Institute estimated that the 1981 Tax Act will cause private contributions to the nonprofit sector to decline over the next four years by $18.3 billion. This study, which analyzes the 1981 law's impact on individual giving, does not consider potential decreases in giving by foundations, corporations, or estates.

In addition, the study concludes that the law "will significantly redistribute the burden of giving from the rich to the middle and lower-middle classes." Beginning in 1981 taxpayers who do not itemize deductions will be able to deduct a certain

portion of their gifts to charity. But historically, these are the taxpayers who contribute the least frequently to our nation's cultural institutions.

The study estimates that individual giving to religious organizations is expected to grow by 17 percent in constant dollar terms between 1980 and 1984, but individual giving to educational institutions and hospitals is projected to fall more than three percent below actual 1980 levels. This decrease in private sector giving to nonreligious nonprofit organizations combined with cutbacks in government spending will cause the revenues of these organizations to be lower during 1981-1984 in real dollar terms than they were in 1980. Unless significant changes occur in giving patterns, this portion of the nonprofit sector, which includes our nation's cultural organizations, will be under considerable strain over the next four years.

PUBLIC WILLING TO PAY MORE TAXES FOR THE ARTS

The American public has indicated a willingness to change its giving patterns. According to the Harris poll, a significant percentage of the population would be willing to see their taxes increased, if the increase supported the arts. The following compares the results in 1975 with the 1980 study:

	Percent of population Responding "yes"	
	1975	1980
Increased taxes for the arts:		
$25	41	51
$15	46	59
$10	51	65
$5	58	70

In 1979 over 92 million individuals filed income returns. If 70 percent of these persons paid the additional $5.00 they indicated they were willing to spend, over $300 million would be raised for the arts; if 65 percent contributed $10.00 almost $600 million could go to the arts; if 59 percent contributed $15.00 over $800 million would be raised; or if 51 percent contributed $25.00 over $1 billion could go to the arts.

This strong willingness of the American people to contribute tax money to the arts should not be ignored. Legislation introduced by Senator Mathias as well as similar legislation I have introduced in the House would allow individuals to designate a portion of their tax refunds as a contribution to the arts and humanities. These taxpayers could also forward additional money over and above the taxes they owed. All such contributions would be distributed to the National Endowments for the Arts and Humanities.

In 1979 over 75 million individual taxpayers received $54 billion in refunds. If arts and humanities checkoff boxes were included on the IRS Form 1040, as suggested in S. 1035, a large portion of this $54 billion could easily be transferred to the benefit of our Nation's cultural organizations with no loss of revenue to the Treasury.

The American people have indicated a willingness to contribute more to insure the vitality of America's arts and humanities. Let us not stand in their way. By providing a tax checkoff box another obstacle holding back much needed funds is removed. I urge your consideration of this valuable legislative change. The financial health of America's arts and humanities is at stake and can be greatly improved by enactment of this unique and timely proposal.

BAKER & HOSTETLER

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November 19, 1981

Senator Bob Packwood
Chairman, Subcommittee on Taxation
and Debt Management
Committee on Finance
U.S. Senate
Washington, D.C. 20510

Re: S. 1745

Dear Senator Packwood:

This statement is submitted for the record of the hearings held on October 30, 1981 with respect to the above bill relating to the application of IRC § 4943 requiring the divestiture of "excess business holdings" of private foundations.

Senators Armstrong and Hart should be thanked for introducing S. 1745 and calling attention to problems arising from the application of IRC § 4943.

This section of the Code was enacted as part of an over-reaction in 1969 to a few so-called abuses attributed to some foundations owning stock in certain corporations. Even at the time of enactment, the Congress recognized that § 4943 had the potential of creating problems with adverse results to charities and communities which they serve. The Congress provided extended transitional periods for the application of the new law. This extended period was necessary not only to permit conformance to the statute but also to determine the practical application of the legislation which was hastily drafted.

In the ensuing period of slightly more than 10 years, a number of problems in the application of the statute have become apparent. These include not only the situation to which S. 1745 is directed but many others, such as:

1. The statute is unbelievably complicated. The regulations which the Treasury did issue cover many pages and prescribe rules which are beyond the ability of most foundation executives and practitioners to comprehend. Even at this late date, final regulations have not yet been issued with respect to important aspects of § 4943, involving particularly the effect of corporate expansions, acquisitions and reorganizations and the like, where stock is owned by a foundation. In these days when there is a national interest in relieving businesses and taxpayers of the burdens of over-regulation, § 4943 and the regulations thereunder are prime examples of overkill and excessive control.

2. The statute creates uncertainty and impractical results in situations which have nothing to do with foundations or tax matters which the Congress sought to control in 1969 or should control today. For example, where a corporation, some stock of which is owned by a foundation, desires to provide incentive stock to its employees (such as under tax legislation enacted by the Congress in the Economic Recovery Tax Act of 1981), the acquisition by the corporation of stock for re-issuance to employees under such a plan may cause penalty taxes to be imposed on the foundation unless the foundation divests itself of stock. The corporation in such a case is caught in the middle between providing incentives for employees and risking adverse affects on its stockholders. A foundation may be forced to sell stock when market conditions are adverse. The only effect of such provisions is to penalize charities and create artificial restraints on some business corporations.

3. In the case of gifts and bequests of stock to a foundation where related parties own substantial stock in the same corporation, a foundation generally is required to meet the divestiture requirements of § 4943 within 5 years. This can be much too short a period from the standpoint of proper marketing of the stock and protecting the value of interests intended to be used for charitable purposes.

4. The pressure on local foundations to divest themselves of stockholdings in industry makes such industries prime take-over targets. Many foundations have been established to serve local communities on the basis that fortunes made in communities should be used in the best interests of the people in that community. The policy of § 4943 runs counter to this principle by causing the industry which creates jobs in the community to become the prey of outside purchasers who see an acquisition opportunity because the local foundation cannot maintain its stock ownership under § 4943. Particularly in these days of eonomic problems and growing unemployment rates, the effect of § 4943 is to create additional worries and burdens contrary to community and public interests.

5. The Treasury Department has indicated that since some foundations have reduced their holdings under § 4943 others should have to follow the requirements of the statute. This position is based on the view that because a few have suffered, all will suffer. The Congress should learn from experience under the statute. It should not perpetuate an error, but seek to correct it.

No one can take pride in a statute as complex and so adverse to community and public needs as § 4943. One has only to look at the "downward ratchet rule" in the Treasury regulations to realize that no one should be afflicted with this type of legislation. (A copy of the downward ratchet rule regulations is attached for your reference.) There is much more of the same in other sections of the regulations to § 4943. Moreover, as previously indicated, the Treasury has not yet been able to complete regulations, promised over two years ago, with respect to business expansions, etc. as they may be affected by § 4943.

The situation calls for a re-examination of the entire section. The fact is that the abuses with which Congress was concerned in 1969 were taken care of by other provisions then enacted in Chapter 42 of the Code. The provisions requiring that the Foundation make annual distributions for charitable purposes (§ 4942) and the provisions against self-dealing (§ 4941), as well as certain limitations under sections 4944 and 4945, are reasonably sufficient to cause dedication to charitable rather than to private interests. The present legislation goes far beyond the requirement needed for protection of philanthropy and creates unnecessary additional problems.

It is requested that the Committee ask its staff to re-examine the premise on which § 4943 was enacted and report as to whether the statute is necessary today in any form at all. We shall be glad to be of assistance in an objective analysis of this problem and in developing a sound solution.

Very truly yours,

Norman A. Sugarman

Enclosure

(4) *Downward ratchet rule*—(i) *In general.* Except as provided in paragraph (d)(4)(ii) of this section and section 4943(c)(5)—

(A) *Scope of rule.* In general, when the percentage of the holdings in a business enterprise held by a private foundation and all disqualified persons together to which section 4943(c)(4) applies decreases, or when the percentage of the holdings of the private foundation alone in such business enterprise decreases, such holdings may not be increased (except as provided under section 4943(c)(5) or (5)). This so-called "downward ratchet rule" is designed to prevent the private foundation from purchasing additional holdings in the business enterprise until the substituted combined voting level is reduced to the 20-percent (or 35 percent) figure prescribed by section 4943(c)(2).

(B) *Levels affected.* Under the downward ratchet rule any decrease after May 26, 1969, in the percentage of holdings comprising either the substituted combined voting level, the substituted combined value level, the foundation voting level or the foundation value level shall cause the respective level to be decreased to such decreased percentage for purposes of determining the foundation's permitted holdings.

(C) *Implementation of reductions.* Thus, if at any time the sum of the foundation voting level and the disqualified person voting level is less than the immediately preceding substituted combined voting level, the substituted level shall be decreased so that it equals such sum. For example, if on May 26, 1969, a foundation and all disqualified persons together have holdings in a business enterprise equal to 50 percent, on such date the substituted combined voting level and the disqualified person voting level equal 50 percent (since such holdings of the foundation are treated as held by a disqualified person). If the private foundation or a disqualified person on May 27, 1969, sold 2 percent of such holdings to a nondisqualified person, the disqualified person voting level would be decreased to 48 percent (50% − 2%), causing the substituted combined voting level to be decreased to 48 percent. As a further example, assume that on May 26, 1969, a foundation and all disqualified persons together have holdings in a business enterprise equal to 50 percent, and when the first phase expires on May 26, 1979, the substituted combined voting level is still 50 percent, the foundation voting level is 10 percent, and the disqualified person voting level is 40 percent. If a disqualified person thereafter sells 2 percent to a nondisqualified person so that the sum of the disqualified person voting level (40% − 2% = 38) and the foundation voting level (10%) equals 48 percent (38% + 10%), then the substituted combined voting level is decreased to 48 percent. Similarly, if at any time the sum of the foundation value level and the disqualified person value level is less than the immediately preceding substituted combined value level, the substituted combined value level shall be decreased so that it equals such sum.

(D) *Restrictions on increases in levels.* In addition, none of the four levels referred to in paragraph (d)(4)(i)(B) of this section may be adjusted upward to reflect any increase in the holdings comprising such level, except as provided in section 4943(c)(5) and § 53.4943-5. As a result, any transfer of May 26, 1969, holdings from a disqualified person to a private foundation shall not increase the foundation voting level or the foundation value level (unless the transfer qualifies under section 4943(c)(5)), and thus may reduce the substituted combined value level (and, where appropriate, the substituted combined voting level). Thus, in the last preceding example, if the disqualified person, instead of selling the 2 percent interest to a nondisqualified person, had sold such interest to the foundation, the substituted combined voting level would still be reduced to 48 percent, since the disqualified person voting level would be reduced by 2 percent (to 38%) but the foundation voting level would not be increased by 2 percent (remaining at 10%). However, any transfer of May 26, 1969, holdings from a private foundation to a disqualified person under section 101(l)(3)(B) of the Tax Reform Act of 1969, shall reduce the foundation value level (and, where appropriate, the foundation voting level), but will not reduce the substituted combined value level or the substituted combined voting level. The disqualified person voting level and disqualified person value level are correspondingly increased, not being limited to interests held since May 26, 1969. In addition, a transfer of May 26, 1969, holdings from one disqualified person to another, for example, by bequest, shall not reduce the substituted combined voting level nor the substituted combined value level.

(ii) *Exceptions*—(A) *One percent de minimus rule.* If after May 26, 1969, there are one or more decreases in the holdings comprising any of the four levels referred to in paragraph (d)(4)(i)(B) of this section during any taxable year of a private foundation, and if such decreases are attributable to issuances of stock (or such issuances coupled with redemptions), then, unless the aggregate of such decreases equals or exceeds 1 percent, the determination of whether there is a decrease in such level for purposes of this paragraph (d)(4) shall be made only at the close of such taxable year. If, however, the aggregate of such decreases equals or exceeds 1 percent, such level shall be decreased at that time as if the previous sentence had never applied.

(B) *Twenty percent (or 35 percent) floor.* In no event shall the downward ratchet rule contained in paragraph (d)(4)(i) of this section decrease the substituted combined voting level or the substituted

combined value level below 20 percent, or, for purposes of section 4943(c)(2)(B), below 25 percent.

(iii) *Special rules*—(A) *Change of foundation managers.* In the case of a foundation manager (as defined in section 4946(b)) who on May 26, 1969, owns holdings in a business enterprise and who is replaced by another foundation manager, the decrease in the substituted combined voting or value levels shall be limited to the excess, if any, of the departing foundation manager's holdings over his successor's holdings.

(B) *Termination of private foundation status under section 507.* If an organization gives the notification described in section 507(b)(1)(B)(ii) of the commencement of a 60-month termination period and fails to meet the requirements of section 509(a)(1), (2) or (3) for the entire period, then such organization will be treated as a private foundation during the entire 60-month period for purposes of this paragraph (d)(4) and section 4946(a)(1)(H). For example, X, a private foundation gives notification of the commencement of a 60-month termination commencing on January 1, 1972. X and Y, another private foundation, are effectively controlled by the same persons within the meaning of section 4946(a)(1)(H). X and Y hold 35 percent each of the voting stock of Z corporation on May 26, 1969, so that the substituted combined voting level for X or Y is 30 percent on such date. If X meets the requirements of section 509(a)(1), (2), or (3) for the entire 60-month period, section 4946(a)(1)(H) is inapplicable to X, and, under the downward ratchet rule, the substituted combined voting level for Y is decreased by 25 percent. On the other hand, if X meets the requirements of section 509(a)(3) for its taxable years 1972 and 1973, but fails to meet the requirements of section 509(a)(1), (2), or (3) in 1974, 1975, and 1976, then solely for purposes of section 4943(c)(4)(A)(ii) and this paragraph (d)(4), X will be treated as a disqualified person with respect to Y, and Y will be treated as a disqualified person with respect to X, for taxable years 1972 through 1976 pursuant to section 4946(a)(1)(H). Thus, for purposes of section 4943(c)(4)(A)(ii), the substituted combined voting level for X or Y will not be decreased by reason of the fact that X was attempting to terminate under section 507(b)(1)(B), and assuming no other transactions, such level will remain at 30 percent.

(iv) *Examples.* The provisions of this paragraph (d)(4) may be illustrated by the following examples:

Example (1). F, a private foundation, owns on May 26, 1969, 40 shares of voting stock in corporation X representing 30 percent of the voting stock in X and 25 percent of the value of all outstanding shares of all classes of stock in X. A and B, the only disqualified persons with respect to F, together own, on such date, 2 shares of voting stock in X representing 2 percent of the voting stock in X and 1 percent of the value of all outstanding shares of all classes of stock in X. In addition, on such date, F owns 20 shares of nonvoting stock in X, representing 20 percent of the value of all outstanding shares of all classes of stock in X, and A and B together own 15 shares of nonvoting stock in X representing 15 percent of the value of all outstanding shares of all classes of stock in X. The provisions of section 4943(c)(4)(B)(iii) apply and during the 10-year period beginning on May 26, 1969, a disqualified person is deemed to hold all interests of F in X. Assume that on February 1, 1972, F sells to C, an unrelated individual, 12 shares of voting stock in X representing 12 percent of the voting stock in X and 9 percent of the value of all outstanding shares of all classes of stock in X.

(i) Beginning on May 26, 1969, the disqualified person voting level is 32 percent, the foundation voting level is zero, and the substituted combined voting level is 30 percent; the disqualified person value level is 71 percent, the foundation value level is zero, and the substituted combined value level is 30 percent.

(ii) Beginning on February 1, 1972, the disqualified person voting level is 20 percent (32% − 12%), the foundation voting level is zero, and the substituted combined voting level is 20 percent; the disqualified person value level is 62 percent (71% − 9%), the foundation value level is zero and the substituted combined value level is 30 percent.

Example (2). F, a private foundation on the calendar year basis, holds, on May 26, 1969, 30 percent of the voting stock in corporation Y. C and D, the only disqualified persons with respect to F, together hold, on such date, 10 percent of the voting stock in Y. The provisions of section 4943(c)(4)(B)(iii) apply with respect to F, and disqualified persons are deemed to hold all interests of F in Y for the 10-year period beginning on May 26, 1969, so that the substituted combined voting level as of such date is 40 percent. On February 1, 1973, a stock issuance by Y causes the combined holdings of voting power by F, C, and D in Y to decrease by 0.3 percent. On June 1, 1973, another such issuance causes such combined holdings to decrease by 0.5 percent. In September 1, 1973, an unrelated stock redemption by Y causes such combined holdings to increase by 0.4 percent. Under this paragraph the determination whether there is a decrease in the substituted combined voting level for purposes of the downward ratchet rule shall not be made before January 1, 1974, since the aggregate of the decreases occurring on February 1 and June 1 of 1973 is less than 1 percent (0.3% + 0.5%). Therefore, the substituted combined voting level as of January 1, 1974, is 39.6 percent (40% − [0.3% + 0.5%) − 0.4%].)

Example (3). Assume the facts as stated in Example (2), except that, on October 1, 1973, a stock issuance by Y causes the combined holdings of voting power by F, C, and D in Y to decrease by 0.3 percent. Since the aggregate of the decreases occurring on February 1, June 1, and October 1, of 1973 exceeds 1 percent, the determination whether there is a decrease in the substituted combined voting level shall be made as of October 1, 1973. At that time the substituted combined voting level shall be reduced to 39.2 percent (40% − 0.3% − 0.5%), the lowest actual combined holdings during the period that the *de minimis* rule was in effect.

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1981 NOV -4 PM 12

Oct 30

October 30, 1981

Senator Bob Packwood
1321 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator:

As an athlete and a coach I urge you to support the"United States Olympic Development Fund checkoff Act of 1981", (Senate Bill S-1595 and House Bill H.B.-4454).

This legislation is most important to the continued development of our amateur athletic programs in the United States and to provide an endowment for our athletes in the future.

Sincerely,

Jan L. Palchikoff
Head Crew Coach

JLP:bh

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WASHINGTON, D.C. 20540

October 30, 1981

Dear Senator Packwood:

I understand your Subcommittee is considering S. 1035, Senator Mathias' bill to augment existing financial support for the Nation's arts and humanities activities through private individual and corporate taxpayer contributions.

As a member of the President's Task Force on the Arts and Humanities, I have given serious consideration to new ways to stimulate support of the arts and humanities. Certainly more can be expected from the corporate sector, but citizen support of the arts and humanities is essential. S. 1035 would provide a vehicle through which the average citizen can fully participate in revitalizing the arts and humanities, while at the same time preventing a drain on the U.S. tax dollar. Americans are unique in their spirit of philanthropy. No other nation can claim such a generous citizenry.

I urge that your Committee act favorably and approve this most innovative idea.

Sincerely yours,

Daniel J. Boorstin
The Librarian of Congress

The Honorable
Bob Packwood, Chairman
Subcommittee on Taxation and Debt Management
Senate Committee on Finance
Washington, D. C. 20510

cc: Honorable Charles McC. Mathias, Jr.

88-135 O—82——6

TESTIMONY OF DR. RUSSELL G. MAWBY,
PRESIDENT OF THE W. K. KELLOGG FOUNDATION,
BEFORE THE SUBCOMMITTEE ON TAXATION AND DEBT
MANAGEMENT OF THE SENATE FINANCE COMMITTEE
IN SUPPORT OF S. 1745
OCTOBER 30, 1981

I am Dr. Russell G. Mawby, President of the W. K. Kellogg Foundation, one of the largest private foundations in the country, headquartered in Battle Creek, Michigan. I am appearing today in support of S. 1745 which would exempt the El Pomar Foundation from the requirements of section 4943 of the Internal Revenue Code. Without this legislation, the El Pomar Foundation would be required to divest itself of the historic Broadmoor Hotel, depriving the people of Colorado of the advantages of local ownership of this historic structure and forcing the Foundation to rely on other investments to fund its charitable purposes. Most significantly, this governmental interference in the operation of a valuable charitable asset is totally unwarranted by the original purposes underlying section 4943 of the Code.

The Need for Comprehensive Congressional Review

Section 4943 of the Code was enacted as a part of the wide-ranging attempts to "reform" and "curtail" perceived abuses by private foundations contained in the Tax Reform Act of 1969. Over 10 years of experience since the 1969 Act has demonstrated that many of the perceived abuses simply did not

exist or were overgeneralized and that many of the enacted reforms went beyond what was necessary to remedy even the perceived abuses. As a result, since 1969, legislation has been enacted to reduce the excise tax on private foundation investment income and twice to alter the minimum distribution requirement to avoid continuing erosion of foundation assets. In addition, a number of bills have been enacted to remedy specific inequities resulting from the application of the 1969 Act changes. Moreover, the threat of legislation was necessary to force the withdrawal of proposed regulations which would have in effect overruled the statutory "grandfather rules" of section 4943. And it is significant that these ill-conceived proposed regulations were very much the product of a vague statute which, in large measure, frustrated its practical application. S. 1745 is another instance where it is necessary for a private foundation to seek relief from a specific inequity resulting from the application of the 1969 Act changes.

These changes in Federal foundation law since the 1969 Act and over 10 years of experience under the provisions of that Act, indicate that it is time for Congress to undertake a comprehensive review of the foundation provisions, rather than to continue to proceed with a piecemeal approach. Section 4943 is one of the major areas where comprehensive revision is required.

Section 4943

Section 4943 limits the holdings of a private foundation and its "disqualified persons" (i.e., generally the donor, members of the donor's family and foundation managers) in any "business enterprise" to 20% of the voting power of the enterprise. Where a foundation can demonstrate that "effective control" of the "business enterprise" is held by other than the foundation and its "disqualified persons" (as defined in section 4946 of the Code), the foundation may own 35% of the enterprise. Under the "grandfather rules" contained in section 4943(c)(4), a private foundation is generally permitted to retain its pre-1969 holdings in a business enterprise, provided that such holdings are reduced to 50% by the end of a first phase transition period (generally 10 years, ending on May 25, 1979) and to 35% by the end of a second phase transition period of 15 years (generally ending May 25, 1994). One aspect of this "grandfather rule" which demonstrates the need for a comprehensive review and revision of the section 4943 rules is that certain private foundations will be permitted to retain all of their pre-1969 holdings to a maximum of 50%, while other private foundations will be required to reduce their pre-1969 holdings to 35% by 1994. This distinction is based on the so called "2% rule." Where, at the end of the first phase, the disqualified persons of a private foundation own more than 2%

of the business enterprise in which the foundation has an ownership interest, the foundation's permitted holdings are reduced to 25%, but the combined holdings of the private foundation and its disqualified persons may be maintained at pre-1969 levels, so long as those levels do not exceed 50%. However, where disqualified persons owned less than 2% at the end of the first phase, the combined holdings of the private foundation and disqualified persons must be reduced to 35% by 1994. In the latter case, the actual holdings of the private foundation are not limited to 25%. The result of this rule is an aberation when considered in light of the original intent behind the enactment of section 4943.

By enacting section 4943, Congress attempted to remedy the perceived abuse of a family transferring all of its interest in a closely held business to a private foundation which the family controlled, paying the profits to the family members by way of salaries, paying little or no dividends to the owning foundation and controlling the foundation and its giving policy, while sheltering vast amounts of income through the charitable deduction attributable to the gift to the "foundation." While there were indeed illustrations of isolated cases where such an arrangement occurred, the abuse was by no means pervasive. Even for the perceived abuse, section 4943 was an onerous congressional response with respect to those private foundations

which operated independently of family control for many years prior to the 1969 Act. Moreover, the direct assault on abuses by private foundations reflected in the penalty tax on jeopardizing investments, the minimum distribution requirements, and the myriad reporting requirements directly addressed those abuses, without penalizing those private foundations which had profited from sound investments and extended that profit to worthwhile charitable, educational and scientific endeavors.

Despite the intent of section 4943 to separate the donor's and donor's family involvement in a business from that of the private foundation which the donor established, the exception to the grandfather rule above in fact provides a more liberal divestiture requirement for private foundations whose donors have retained significant involvement in the business enterprise in which the foundation also serves as an investor. This is not to say that there may not have been good reason to permit the retention of pre-1969 holdings to a maximum of 50%; but, on the contrary, to say that Congress surely did not intend to penalize those private foundations for which the donor and the donor's family had removed themselves entirely from involvement in both the foundation and the business enterprise. The provision is among the anomalous provisions of section 4943 which a comprehensive review of that section would reveal.

S. 1745

S. 1745 would exempt from the divestiture requirements of section 4943 the interest of the El Pomar Foundation and the historic Broadmoor Hotel in Colorado Springs, Colorado. This, like so many other cases within the reach of section 4943, is neither an abuse nor the type of divestiture which Congress should mandate. First, preservation of the ownership of the Broadmoor Hotel in the El Pomar Foundation will ensure that this historic landmark continues to be owned and operated as a public asset for the benefit of the citizens of Colorado Springs and the State of Colorado. Second, the investment of the Foundation in the Broadmoor Hotel has been a sound one, producing more than $65,000,000 for charitable purposes benefiting Colorado Springs and the State of Colorado. The forced sale of all or a part of this landmark would serve none of the purposes intended by Congress by the enactment of section 4943. Third, none of the members of the family of the donor are involved either in the operation of the Foundation or the Hotel. Therefore, the principal purpose underlying section 4943, as previously discussed, would not be advanced. Fourth, the El Pomar Foundation has demonstrated that the investment in the Broadmoor Hotel, solely from a business standpoint, has produced significant and sound benefits for charitable purposes. It is important to note that most "diversified

portfolios" would not likely have produced the charitable benefits equal to the $65,000,000 which has been derived from the managed investment of one sound asset. Finally, the forced divestiture of 50% of this business enterprise would be unlikely to produce a profit to the Foundation equal to its value, in light of the fact that potential purchasers would certainly be aware of the statutory mandate to divest. Thus, the long-term capital otherwise available to charity will be significantly diminished.

Conclusion

We respectfully urge this Subcommittee to favorably report S. 1745. The bill properly relieves a burden imposed by section 4943 without producing any of the benefits intended by Congress when it enacted that section of the Code. Moreover, while this bill addresses and relieves only one isolated problem, it demonstrates the need for comprehensive review of the changes in the law affecting private foundations which were enacted in 1969 and particularly the divestiture requirement contained in section 4943. The problems faced by the El Pomar Foundation are by no means unique in the foundation community. The reasons for providing the requested relief are also by no means unique. There are many private foundations, including the W. K. Foundation, which long before the Tax Reform Act of

1969 had been outside the direction and control of the donor or the donor's family and have realized a consistent and higher return on a manageable concentrated investment than would have been earned on a diversified portfolio. Therefore, the reasons favoring enactment of this legislation also favor congressional review of the operation of section 4943 for all private foundations.

Finally, it is important to consider this legislation and the need for review of other legislation restricting charitable institutions in light of the Administration's strong emphasis on private philanthropy. As we attempt to move away from the notion that Federal dollars are the panacea for all of our social, educational and scientific needs, an even greater responsibility will be placed upon the vast resources of private philanthropy. In order to meet that responsibility, charitable institutions with innovative programs, must be provided with the greatest flexibility consistent with the prevention of abuse. But with the continuation of burdensome Federal restrictions serving no sound purpose, private philanthropy is severely limited in maximizing its social benefits and in applying the creativity and imagination that is the greatest asset the private sector has to provide.

ACLS

AMERICAN COUNCIL OF LEARNED SOCIETIES

800 THIRD AVENUE (AT 49TH - 50TH STREETS), NEW YORK, N. Y. 10022

CABLE ADDRESS: ACOLSOC NEWYORK TELEPHONE (212) 888-1759

October 27, 1981

The Honorable Charles McC. Mathias, Jr.
358 Russell Senate Office Building
U.S. Senate
Washington, D.C. 20510

Dear Senator Mathias:

Thank you for your letter of October 21 concerning S. 1035. My colleagues and I very much appreciate your concern for the Humanities.

An aspect of the Bill which bothers me is that because of the far greater public visibility of the Arts than of the Humanities, the possibility of the taxpayer's choosing A or B or C will result overwhelmingly in the choice of A. Thus I would prefer only one choice, C. I grant you that my reasoning is completely self-serving as a humanist.

Again, thank you.

Sincerely yours,

R. M. Lumiansky

R. M. Lumiansky
President

RML:bmh

4804 Wellington Drive #206
Chevy Chase, Maryland 20015
November 3, 1981

The Honorable Charles McC. Mathias, Jr.
United States Senate
Room 358 Russell Bldg.
Washington, D. C. 20510

Dear Senator Mathias:

I am writing to applaud your action last Friday, October 30th when you introduced S. 1035, providing an income tax check-off for contributions to the National Endowment for the Arts and the National Endowment for the Humanities.

The encouragement and facilitation of support from the private sector has always been an important issue in maintaining this nation's cultural vitality. It is even more crucial now, in view of decreasing Federal support.

Keep up the good work.

Sincerely,

M. Elizabeth Stotler

M. Elizabeth Stotler

METRO-GOLDWYN-MAYER FILM CO. 10202 W. Washington Blvd., Culver City, California 90230 (213) 836-3000

November 5, 1981

Senator Charles Mathias
United States Senate
Washington, D.C. 20510

Dear Senator Mathias:

I applaud your foresight in bringing before the Senate S. 1035. Any help I can be in furthering its passage will be welcome by me.

Best Regards,

Franklin J. Schaffner

FJS/ae

ARMAND S. DEUTSCH
1901 AVENUE OF THE STARS
SUITE 1243
LOS ANGELES, CALIFORNIA 90067
(213) 553-1314

November 2, 1981

Mr. Charles McC. Mathias, Jr.
United States Senate
Washington, D. C. 20510

Dear Senator Mathias:

As a member of the Presidential Task Force on the Arts and Humanities, I would like to take this opportunity to voice my heartfelt support for the Voluntary Contributions for the Arts and Humanities bill S. 1035.

This bill would provide much needed financial help to cultural and educational groups. I am most grateful that you have introduced it. It will certainly serve to stimulate funding for the Endowments and broader citizen support for the arts and humanities.

Sincerely,

Armand S. Deutsch

ASD/b

1801 DEEPDALE DRIVE
FORT WORTH, TEXAS 76107

November 4, 1981

Honorable Charles McC. Mathias, Jr.
United States Senate
Washington, D.C. 20510

Dear Sir:

I should like to voice my support of S.1035, the Voluntary Contribution for the Arts and Humanities Bill.

As a member of the Presidential Tax Force on the Arts and Humanities I have studied similar proposals, and I feel that voluntary individual contributions included in the income tax form are an excellent way of increasing private sector support.

The only reservation the Task Force felt regarding this proposal was the resistance the Treasury voiced in administering such a collection. In principle, however, I think this is an excellent idea.

Sincerely,

Anne H. Bass

Anne H. Bass
(Mrs. Sid R. Bass)

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Telegram

SENATOR CHARLES MCC. MATHIAS JR RPT DLY MGM, CLR
U S SENATE
WASHINGTON DC 20510

STRONGLY SUPPORT YOUR BILL S. 1035.
PAUL M MANNA HOOVER INSTITUTION STANFORD UNIVERSITY
334 STANFORD UNIVERSITY
STANFORD CA 94305

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DAVID PACKARD
CHAIRMAN OF THE BOARD

November 3, 1981

The Honorable Charles McC. Mathias, Jr.
United States Senator
United States Senate
Washington, D. C. 20510

Dear Senator Mathias:

Thank you for your note of October 21st about your proposed bill on Voluntary Contributions for the Arts and Humanities, S. 1035.

In my participation on the President's Task Force on the Arts and Humanities, I came to several conclusions which were generally in agreement with the final report of the Task Force.

My first conclusion was that the endowments for the humanities and the endowments for the arts have made a useful contribution to our society and that they should be continued. We discussed the question of whether and how much private support might be sought specifically for the endowments. Among other things I suggested the Government might wish to consider matching grants for individual commitments to the endowments. I thought by this process it might be possible to maintain funding levels near the historic amounts with a substantially lower commitment from the Federal Government. This recommendation was not adopted by the Task Force, but it was recommended that an approach along these lines should be further explored by the reconstituted and revitalized Federal committee.

There is one problem with the tax check-off for the arts and humanities and that is how will you be able to keep all the other worthwhile charitable activities from wanting to have tax check-offs also. I believe a case can be made that the arts and humanities are a very important activity in the American society and are worthy of broad scale support. Other than the possible problem that everyone else will want a Federal check-off too, I think a check-off plan is worthy of trial and would have my support.

One detail, I am not sure it's desirable to require the National endowments to transfer all of their funds to State agencies. Rather, I would think it might be desirable for the endowments to retains some of the funds for direct distribution to national programs.

I do think it is wise to prohibit such contributions to be used for administration expenses. It is very difficult to predict how much money will be raised by this check-off system. I think it should be undertaken for an initial period for a year or so. If an adequate response is obtained, this will justify its existence. If an adequate response is not obtained, you could then consider the addition of Federal matching funds to the check-off amounts as an incentive for increased response.

All in all, I think your Bill is a useful step to encourage a broader interest and broader support for the arts and humanities, and I hope it will be enacted.

Sincerely,

David Packard

DP/lgk

88-135 O—82——7

ADOLPH COORS CO.,
Golden, Colo., October 30, 1981.

Hon. CHARLES MCC. MATHIAS, JR.,
U.S. Senator,
Washington, D.C.

DEAR SENATOR MATHIAS: Thank you for your letter asking for my comments in regard to your Bill S. 1035. I believe it is an excellent idea, and I am in favor of the general concept because it will allow those who are particularly interested in the arts and humanities to contribute. I particularly like the thought that funds collected would be transferred directly to state art agencies and state voluntary councils. I personally believe strongly that the majority of funds appropriated by Congress for the arts and humanities should be passed on directly to state committees who are in a much better position to evaluate the activities and the need, than are organizations in Washington, D.C.

I have a couple of comments in regard to the bill as it is now written. First of all, it would seem that there might be considerable opposition to have a cutoff of this nature for arts and humanities and not for other charities. Our Task Force discussed this matter in some detail and finally agreed that this was the case.

Secondly, although I might have missed it, somehow I don't see any reference to the actual amount of contribution that could be used against federal income tax payments.

In general it would appear to me that this would accomplish a good purpose in voluntary replacement of cutbacks which are being asked for by our President.

Sincerely,

JOSEPH COORS, *President.*

PACIFIC PALISADES, CALIF., *October 29, 1981.*

Hon. CHARLES MCC. MATHIAS, JR.,
U.S. Senate,
Washington, D.C.

MY DEAR SENATOR MATHIAS: I have just received the copy of your bill. It seems a wonderful idea and a help in the difficult situation in which the Arts and Humanities find themselves. It is true also that the Task Force recommended such a motion.

I will study it carefully and if I have any further reactions to it, I will let you know immediately. In the meantime, thank you for being such a magnificent friend of the Arts and Humanities.

Warmest good wishes,

MARGO ALBERT.

WASHINGTON PROJECT FOR THE ARTS,
Washington, D.C., July 30, 1981.

Senator CHARLES MCC. MATHIAS,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MATHIAS: This letter is to support and encourage your efforts on Bill S. 1035 providing a voluntary contribution for the Arts and Humanities.

This could go a long way in establishing a support structure for the Arts in the United States and would probably surpass the Endowment support which has sustained American Artists over the past 15 years.

A Federal Income Tax check-off for American Culture would reassert the Federal Government's aid and the new Republican Administration's interest in American Culture.

You have my full support.

Sincerely,

AL NODAL, *Executive Director.*

STATEMENT BY JOHN RUSSELL-WOOD, CHAIRMAN, MARYLAND COMMITTEE FOR THE HUMANITIES

Mr. Chairman, members of the subcommittee, my name is John Russell-Wood. I am Chairman of the Maryland Committee for the Humanities and a Professor of History at The Johns Hopkins University. I am happy to comply with a written

request from Senator Charles McC. Mathias, Jr. to submit testimony fo the Hearing Record. I thank you for the opportunity to submit to the Senate Finance Subcommittee on Taxation and Debt Management testimony on behalf of the Bill for Voluntary Contributions for the Arts and Humanities (S. 1035; hearing on October 30, 1981).

May I open by summarizing the major points of the accompanying testimony:

That the humanities are part of our everyday lives

That the ideals they embody coincide with those ideals of democracy and republicanism which have been, and continue to be, guiding principles of Americans

That State Councils for the Humanities serve as catalysts for the public expression of shared principles, values, and aspirations, and contribute to the better understanding of ourselves and of the world in which we live

That the Maryland experience reveals a quantitative and qualitative increase in projects funded by the State Committee for the Humanities

That the Maryland experience finds close parallels across the nation

That cutbacks in federal support for the arts and humanities cannot be offset by corporations or foundations

That over 80 percent of the charitable impulse is attributable to individuals and it is to such individuals that S. 1035 is addressed

That the Economic Recovery Tax Act of 1981 makes provision for "above the line" deductions on the federal tax return by individuals who do not itemize deductions

That S. 1035 does not deprive the U.S. Treasury of revenues

That precendents exist for support for the arts and humanities at federal, state, and city levels of government

That the elimination of the gifts-and-matching capability of State Humanities Councils has reduced opportunities for federal/private matches

That the humanities are of the people, that the American public has achieved a considerable level of sophistication in matters cultural, and has demonstrated a willingness to support the arts and humanities

That S. 1035 facilitates the implementation of this charitable impulse expressed by individuals

That the custodianship of our inherited cultural heritage, its preservation, and it legacy to future generations, is the civic responsibility of every American.

The humanities come in may shapes and forms. The arts are all around us, utterly visible, audible, palpable. There is a perception or, rather, misperception from which the humanities have suffered in America. There has been the popular view that an essential prerequisite to be a humanist is a M.A. or a Ph. D. degree. The belief prevails that there is an "in" language and that are formal initiation rites into the club of the humanities. There has been the idea that there are social, economic, or intellectual boundaries which divide the humanist from the rest of society and that such boundaries cannot be crossed unless specified and well-defined requirements are met. There has been the feeling that the humanities are the exclusive turf of the rich, of the well travelled, and of those with formal training in institutions of higher education. In short, there has been the perception that the humanities are reserved for the elites.

In reality, nothing could be further from the truth. This realization has occurred among the general public, has been openly acknowledged, and has manifested itself in attendance at exhibitions and cultural events. And yet, scholars and administrators in academe persist in agonizing over the best manner in which to "reach out" with humanities programs for the public. While deans and professors tentatively test the waters with pilot programs for out-of-school audiences, those selfsame audiences have already demonstrated that common sense and aggressive individualism which has characterized Americans and have already decided on those cultural activities in which they wish to participate. In Maryland, attendance at public programs funded by the Committee for the Humanities has increased dramatically. The public has amply demonstrated how groundless are those fears by academics that outreach programs in the humanities are too difficult for public consumption. In short, there is no incompatibility between popular programs for a public audience and a sophisticated treatment of recondite subjects. In some instance public programs in the humanities have served as catalysts for member of the out-of-school adult public to re-enter the educational system or informally to continue the learning process. So-called "high culture" can be enjoyed, appreciated, and shared in by the American public. In Maryland, projects as diverse as the Juan Ramon Jimenez centennial, discussion of the meaning of freedom, a film-strip on native American in the State, the Chesapeake in the seventeenth century, symposia of the world of Islam, the Jews in the age of Rembrandt, or a film and discussion series on the American short story, have drawn SRO audiences. Attendance has known no barriers of age, sex, religion, national origin, or occupation. The American public may

not wish to engage in academic debate over the precise parameters of the humanities, but it is well aware and keenly sensitive to the fact that many cultural events provide education, entertainment and a contrasting or broader perspective on everyday life. The public wishes to involve itself in such events. The present Bill provides such accessibility. Mr. and Ms. America now have the means to translate a collective wish for self involvement into concrete financial support.

For the average person, there is no realization of how many everyday acts touch on, or are guided by, the humanities. A perusal of Working, that remarkable mosaic of American life by Studs Terkel, cannot fail to impress the perceptive reader with the unconscious testimony of those interviewed as to the importance of the humanities in their lives. Indeed, examination of the "work ethic" itself demands a humanities perspective. We are not now speaking of humanities as defined by academic disciplines, but humanities in the broadest sense: the nature of mankind; the human existence; human values, goals, and priorities; concepts and inventions of the human mind; the ever-present human dilemma. Often, engagement with the humanities is reflected in a search for personal fulfillment, for meaning in daily life, for collective expression of spiritual and intellectual union, for choices and critical examination of options: the difference between self determination and tyranny. There are more visible vehicles which manifest concern for the humanities: pride of citizenship; preservation of the ideals of democracy; struggle for the principle of freedom of speech; custodianship of ideals of human equality and universal suffrage. State humanities programs are the external manifestations of less tangible and less measurable motivating forces which find expression in very diverse forms. Issues of the 20th century are humanities issues. Let me present some examples.

The State of Maryland provides a case study. Over the last decade there has not been merely a quantifiable increase in the numbers of proposals being made by the citizens of the State to the Maryland Committee for the Humanities, but the quality and sophistication of these proposals has increased markedly. Our experience has been that humanities scholars and community leaders have overcome those supposed barriers which, according to some, exist between the academy and the man and the woman in the street. Historically the teacher has fulfilled a civic as well as an educational responsibility. Increased understanding between individuals and peoples is quintessential to democratic government. This has resulted in greater mutual understanding, reciprocity in the exchange of ideas, and recognition that common goals can only be achieved by enhanced mutual understanding and even mutual dependency if we are to survive as a society. Let me cite recent statistics which, over a short period, illustrate dramatically a long-term trend. In the two years from October 1, 1978–September 30, 1980, the Maryland Committee for the Humanities awarded a total of 156 grants. In the twelve month period from October 1, 1980–September 30, 1981, 112 grants have been awarded already. These raw figures conceal another dimension. First, a decrease in the sums granted has been offset by a marked increase in smaller (below $1,200) grants. This may be understood to reflect a greater awareness of the humanities on the part of non-institutionalized and community groups, manifested particularly in programs celebrating an historical heritage or a way of life which is being eroded or threatened with extinction and which the groups wish to record for future generations. Secondly, there has been pronounced interest in grants financed from gifts-and-matching. By this I mean the process by which a grantee raises funds, which are then matched through the intercession of the Maryland Committee from U.S. Treasury funds. This inference is irresistible that individuals, corporations, and foundations in the State of Maryland are willing and ready to fund programs in the humanities.

There is also the human dimension to mere numbers. Recent figures are dramatic and represent the climax of a trend apparent over a longer period. Already high, attendance at Maryland Committee sponsored events has soared. Between October 1, 1980 and May 1, 1981, no less than 45 newly funded activities occurred and these attracted an in-person audience of 10,315—an average of 229 individuals for each event! In comparison, the Committee funded 864 activities between October 1, 1978 and September 30, 1980: overall attendance was 73,830, viz an average of 85 individuals per event. And here it must be recalled that Maryland's population density in 1978, measured in terms of people per square mile, was less than 200 for 15 of the 24 counties and the State-wide average was 419.6. In short, this is (with the exception of Baltimore) not a State with large urban concentrations. And yet there was a 268 percent increase in attendance between October 1, 1980 and May 1, 1981! The recipients of awards reveal a marked increase among minority groups. To take one example: between 1978–80 a total of 13 grants was made to black groups; in comparison, in the twelve months October 1, 1980—September 30, 1981, a total of 35 grants was made to black groups.

The statistics I have cited are from the State of Maryland, but projects funded in other states of the Union reveal a nationwide consensus in favor of public programs and acknowledgment of shared concerns and issues which provide a common link from the Chesapeake to Coos Bay. Our own photographic history projects related to the development of towns—"Then and Now: The Small Town in Cecil County, Maryland"—finds echoes in the grant to the Oregon Repertory Theatre for "Our Town—Eugene, Oregon." The American heritage as preserved in photographs has been central to the programs of historical societies throughout the nation. Such societies have sought grants from State Humanities Councils in states as diverse as Wyoming ("Photographic History of Sublette County," Sublette County Historical Society; "Wyoming: In the Eye of Man," Buffalo Bill Historic Center, Cody) and Maryland ("Photographic Exhibit of the Works of Leo Beachy and Robert Shriver," Allegany County Historical Society). As guardians of the national heritage museums have been the foci for presentation of the multifaceted dimensions of a community's past and the melding of social and economic factors. Waterways have been critical to the economic and social development of Pennsylvania and Maryland: whereas in the former the State Humanities Council responded by funding a program held at the Canal Museum in Easton, Pennsylvania, entitled "Role of Canals in Economic, Social, and Technical Development," in the latter the Maryland Committee assisted the Radcliffe Maritime Museum in the presentation of a program on "Maryland's Traditional Shipbuilders."

Freud noted that work bestowed on the worker a sense of community and of participation in reality. The history of the labor movement has long provided food for thought by professionals in humanities disciplines, in other words by outsiders "looking in." "Critiquing Contemporary America" was the theme of the first annual leadership seminar in Labor and Humanities held in September 1981 on the Eastern Shore of Maryland. Two central theses emerged in the course of the seminar: first, the development of leadership with a compassionate vision; second, the contradictory nature of American values and character. That there has been an increased consciousness on the part of organized labor of a humanistic dimension to their past and present is well illustrated by Public Programs in Missouri ("Tradition of Craftsmanship: United Brotherhood of Carpenters in Missouri, 1881–1981," by the Missouri State Council of Carpenters, St. Louis), Minnesota ("Range Labor Remembers a Proud Heritage," by Local 1938, United States Steel Workers, Virginia), and Maryland ("A New World from the Ashes of the Old: History and Vision of the Baltimore Steelworkers," by Locals 2609 and 2610, United States Steel Workers, Baltimore).

Ethnic groups and pride in ethnic achievements have characterized the history of the United States and are no less present in our own age. They have been the objects of scholarly scrutiny and cause for celebration by communities. Once again State Humanities Councils have been very responsive to proposals, and the diversity of such projects confirms the cultural unity of the nation. Funding by the Maryland Committee of "A Greek Village in Baltimore" (Pandodecanesian Association of America) finds echoes in Texas ("Moravia: A Czech Community in Texas," organized by the South West Alternative Media Project) and in Oregon where the University of Oregon received a grant for a presentation entitled "Ukranians of Lane County."

Programs reflecting a local interest are frequently found to have nationwide and even universal appeal. For example, our own "Baltimore Voices," a celebration of Baltimore ethnic neighborhoods since the First World War and based on interviews, has made over 200 presentations in Maryland to audiences representing all sectors of the population. Presentations have been in church hall, schools, community centers, libraries, and even basements. Insensitive indeed would be the spectator who failed to become an active participant in this dramatic recreation, jogged by memories of his or her past and the realization that the hopes and fears retold by steel- or mill-workers, by watermen, by refugees, by blacks and by whites, by Jews and Catholics and Protestants, were the selfsame fears and hopes of the universal Everyman. That the message transcends Maryland and has wider appeal was amply illustrated by the warm reception accorded to the program when presented at the annual meeting of the Organization of American Historians in San Francisco in 1980. The scholars not only found the program entertaining and illustrative, but praised its intellectual integrity. There was a special performance of "Baltimore Voices" at the National Meeting of State Humanities Programs in Indianapolis in November 1980. A further presentation was to the National Conference of Mayors in Seattle in 1980. Adapted for television and renamed "The New American Neighborhood Road Show," the program was screened for the Congressional leadership and received plaudits from lawmakers.

As is so often the case in a highly mobile society, celebration of the achievements of an individual is shared by several states. That the Maryland Committee should fund a program on Zora Neale Hurston, who was born and died in Florida, is indeed

acknowledgment of her associations with Morgan State University and Maryland But no less is it recognition of her triumph over poverty and disillusion to become an internationally acclaimed anthropologist and novelist and one of America's outstanding folklorists. Similarly, such was the stature of that great American poet Langston Hughes that he should be recognized in an oral history program funded by the Oregon Committee for the Humanities is entirely appropriate, although he was a native son of Missouri, attended Lincoln University in Pennsylvania, and is best known for incorporating dialect and jazz rhythms into his poetry which focussed on blacks in urban America.

The work of State Councils is not directed only to the past, and to those disciplines narrowly associated with the humanities. The Councils fund programs which deal with public policy issues, with the quality of life, and attempt to bring to decisions a humanistic perspective which might otherwise be ignored or subordinated to more powerful economic or political pressures. Advances in high technology, in the frontiers of medicine, and the impact of scientific breakthoughs on our attitudes toward life and death, have presented scholars in the humanities with an unparalleled opportunity to present their views in public forums. Scholars have been forced to shoulder a moral responsibility to inform the American people. Programs funded by State Humanities Councils have addressed such issues and provided forums for informed debate. Three examples will suffice to illustrate this role of the State Committees: "Genetic Engineering—Marvel or Menance?" (Wyoming); "Ethical Implications of Patients' Rights and Responsibilities" (Pennsylvania); "Frontier of Life: Genetic Engineering," and "Ethics and the Professions" (Maryland).

By now the point has been amply illustrated that programs funded by State Councils reflect not merely local and regional interests and concerns, but express values, attitudes, and a collective culture which is shared throughtout the nation and which is the cultural glue which ensures unity in a diverse land. Recently, by funding a proposal entitled, "The Potomac: American Reflections," the Maryland Committee was recognizing not merely that this great river helped to shape a region but, because of its historical associations and still-living folklore, was a "national" river in the truest sense of the word. So too is it with State Humanities Programs.

The humanities have played a major role in American life. At times of loss of beliefs, questioning of the national purpose, and when fear or apathy have replaced hope and determination, historically people have turned to fiction. Naturally, the reading of fiction can occur at many different levels, but in general fiction is one way of projecting a large image of self and can lead to greater understanding by individuals of themselves, of their values, and even of the national purpose. Indeed, literature may be the legitimization of the life of a nation, and provide an interpretation of a national culture. Fiction can take on different forms: prose, drama, poetry. It may be the fiction of the clasics of American literature of the "soaps." But it is apparent that ficitional characters may even have become more important than real people with whom we interact everyday. In Maryland the State Committee for the Humanities has responded to this interest and need by funding proposals on Maryland writers, the American Short Story, on Irish poetry, and on literature and medicine. One discipline of the humanities—literary criticism—can provide us with the tools to study the power exerted over us by fiction and explain the craving for such fiction and an understanding of those values which fictional characters may transmit to us.

The humanities can also bring a historical dimension, a broader context, or a more critical lens to bear on the decision-making process. Recent events in Iran have focussed attention on the importance of background information—be it religious, historical, political, economic, or cultural in nature. In a very difficult arena, technical advances in medicine and surgery have thrown into sharper prominence ethical aspects of life-prolonging techniques, the moral responsibilities of medical personnel, and the rights of the individual. DNA recombinant research and genetic engineering have posed questions of an ethical and moral nature, questions for which the appropriately-trained humanist can provide answers.

The arts and humanities in the nation, despite glowing praise for the Endowments contained in the report of the Presidential Task Force on the Arts and the Humanities, are in a state of crisis. Budgets for the Endowments are being reduced. This is at a time when funding for other programs is being cut back. In some instances persons who would hitherto have submitted proposals to other funding agencies will now redirect these proposals to the National Endowment for the Humanities. The proposed figures in the Reconciliation Bill represent a cut of about 20 percent from the 1981 level. Possibly such cuts will go deeper. Furthermore, despite the historic federal commitment to the arts and the humanities, the harsh reality must be faced that, if federal support is measured in terms of federal

appropriations per capita, the United States lags behind Australia, Great Britian, Canada, and France. A recent statement asserts that only .00017 percent of the 1982 Federal Budget will be devoted to the arts in America; this may be expressed as 53 cents per American.

Much has been made of statements by the administration that the private sector will increase its contributions to nonprofit and voluntary organizations, thereby offsetting anticipated loss of federal support in 1982. In describing what she referred to as the unrealistic expectations that the corporate sector or corporation-operated foundations would pick up this slack resulting from proposed budget cuts, Anne Klepper, a senior research associate for the Conference Board, drew an interesting analogy. Attributed to her is the statement: "Inevitably there will be a struggle to survive among the nonprofits. It could be a Darwinian struggle." There could indeed be a struggle for survival from which the fittest would presumably emerge, but what would be the cost of such a struggle to our cultural insitutions and to our social fabric? There are compelling reasons not to risk such an engagement, but rather to create and to strengthen those ties which will result in enhanced cooperation, reciprocity, and mutual assistance between government and individual citizens. The Bill before you is intended precisely to contribute to the accomplishment of such goals.

Moreover, the proposition that the private sector will increase its contributions has been widely challenged. A study by the Urban Institute in Washington, testimony before Congress by corporate executives, and a New York Times article (July 6, 1981) by Kathleen Telsch, have repudiated this proposition. But such repudiation has relied in large part on the assumption that corporate or foundation support was synonymous with private sector support. This is far from being the case. Oft-quoted statistics suggest that few corporations reach the ceiling of five percent of their taxable income currently deductible by federal law for charitable giving. A Chemical Bank study of charitable contributions noted that, of the $47.74 billion in gifts to nonprofit groups and voluntary organizations in 1980, a mere 5.34 percent derived from the corporate sector. Furthermore, even the corporate sector's pattern of giving is determined in part by the prevailing economy. Although contributions from corporations did increase substantially in 1978 and 1979, there was a marked fall off in 1980 because of low profits. It is this unpredictability of funding—so crucial indeed in terms of planning cultural events sometimes years in advance and with the cooperation of many individuals and institutions—which would partly be remedied by the proposed bill.

That 1980 was the first year in American history that corporate philanthropy exceeded foundaiton giving is no cause for celebration. For their part it has been estimated that foudnation assets have decreased by 30 percent over the past 7 years, a decrease attributable to inflation. But the vast bulk of the charitable impulse in the nation—in excess of 80 percent—was attributable to individual citizens.

It is precisely to this majority that Bill S. 1035 is addressed. Namely to facilitate the actual mechanism of philanthropy, to serve as a reminder to citizens of their cultural heritage and responsibility to future generations, to encourage giving by those to whom it might not otherwise occur so to do, and to reaffirm in highly visible form the federal commitment to the arts and the humanities. It was to individuals in the private sector that President Reagan was appealing when he referred on May 6, 1981, to "a plan to make better use of existing federal resources and to increase the support for the arts and humanities by the private sector." Bill S. 1035 is a direct response to this presidential imperative.

That individual citizens and potential contributors to private eleemosynary institutions and voluntary organizations, should be encouraged to give financial support to colleges, universities, churches, museums, hospitals, and other nonprofit organizations in the 501 C 3 category such as State Programs for the Humanities, is in the spirit of certain provisions of the Economic Recovery Tax Act of 1981, recently approved by Congress. In this instance, at least (and there are counterindications elsewhere), there is exemplified the administration's declared purpose to encourage participation by the private sector and by individuals. Hitherto taxpayers using the short form could not make deductions for nonprofit organizations; this prerogative was reserved for those itemizing deductions and using the "long form." The new Tax Act allows taxpayers who use the "short form" to receive credit for charitable contributions. In 1982 such individuals will get a credit of $25 on the first $100 they give and by 1986 all such contributions will be credited. Because use of the "short form" is favored by those in middle and lower income groups, this "above the line" deduction on the federal tax return constitutes tacit recognition that the charitable impulse is not the exclusive domain of the wealthy or upper income groups, but is shared equally by all Americans. This provision acknowledges widespread support for voluntary organizations and nonprofit institutions, that individuals wish to

participate by their contributions to the future well-being of such organizations and nonprofit institutions and that the role to be played by the smaller contributor is critical to such well-being. By providing the mechanism for the making of such contributions, the Congress has shown its responsiveness to such a climate of giving and has continued to follow the principle of participation by all citizens in government which is the cornerstone of democracy in America.

Some will say that the passing of S. 1035 will be tantamount to depriving the U.S. Treasury of much-needed revenues. This is spurious. Unlike the present provision for a contribution to presidental campaigns, which does represent a loss of revenues, the proposed Bill merely provides the vehicle—in the form of a check-off box on individual federal income tax forms—for voluntary contributions. Such donations would be over and above tax payments made by individuals, or would be a part or all of a refund resulting from overpayment of taxes.

Far from creating a precedent, formal provision for support for the arts and humanities has a long history at city, state, and federal levels. In the city of Baltimore an ordinance requires that 1 percent of the construction costs of any city building be applied for "ornamentation to relieve the dullness recently seen in many modern buildings." At the federal level, buildings under GSA construction are legislated to allocate half a percent of the construction cost for art works. In the countries of western Europe, in Canada, and in several republics of Latin America one to two percent of the total cost of public buildings is earmarked for works of art. Historically, there is a longstanding tradition of federal commitment to the arts and humanities. This has sometimes taken the form of Federal Charters: the American Historical Association, the American Council of Learned Societies, the Corporation for Public Broadcasting. The establishment of the National Endowments in 1965 was acceptance of responsibility—at the highest levels of government—for support of the arts and the humanities. Continued Congressional support has consitituted tacit acknowledgement of the important contribution of such cultural activities to the nation's well-being. From an initial authorization in 1965 or $5 million for the two Endowments, the increase in congressional funding over the past 16 years has been nothing less than dramatic. In 1980 it was $150 million for the National Endowment for the Humanities alone. That the Endowments' performance in discharging their mandate has been nothing short of excellent was recognized in the report of the presidential Task Force on the Arts and Humanities which, at the same time, reaffirmed the responsibility of the federal government to maintain its long-time support, encouragement, protection, and enhancement of cultural activities in the nation.

The process by which States Humanities Councils have been funded has provided for the generation at the local level of private or corporate financial support. This gifts-and-matching capability has been critical to the success of the program in financial terms as well as in credibility. Few corporate funding officers will, without a twinge of trepidation and without consultation, pass value judgements on the merits of a humanities proposal. Their dilemma lies precisely in finding the most appropriate source for information which will assist them in reaching a decision. The State Councils constitute such a source. In Maryland, the Committee comprises 26 voluntary members and includes presidents of colleges, a provost of a major university, a former mayor, a city budget officer, professors of law, English, and history, a journalist, a philosopher, a physician, a highschool headmaster, lawyers, a director of television program planning, a professional photographer, a retired business executive, a museum director, and a curator at the National Museum of American Art. This group has considerable expertise on a wide range of subjects and can bestow on a project that degree of legitimization essential for a corporate funding officer to make a favorable recommendation to his board.

The gift-and-matching capability exemplifies to the full the success of the mulitiplication factor, by which each federal dollar has generated $3, $4, or even $5 from corporations, foundations, or idividuals in Maryland. This success is best described in figures. In 1979 the gifts-and-matching capability of the Maryland Committee was $150,000. By 1980 this had grown to $200,000. In 1981 this capability ended in the manner formerly described namely, matching from U.S. Treasury funds, but the Committee has set aside a substantial portion of its direct funds ($150,000) to be allocated specifically for matching purposes. We are optimistic that our goals will be reached, but would emphasize that those corporations and individuals who match such monies are those already familiar with specific projects funded by the Committee. Inevitably, less popular or less publicized projects will find difficulty in generating such support. These difficulties might well be compounded in states such as Oregon or Wyoming which have fewer industrialized urban nuclei. The Bill before you would bring to the attention of citizens in a direct manner the necessity of

support for the arts and humanities by individuals and would thereby hopefully offset to some degree the absence of potential corporate donors.

That there is genuine public support for the humanities and arts, and that support is increasing, receives confirmation from a series of polls by Louis Harris for the arts. In 1975 people were asked if they would give $25.00 per annum in support of the arts: the majority (53 percent-41 percent) said no. A mere 5 years later in July 1980 the results were reversed: 51 percent-45 percent were in favor. When polled on the lesser amount of $15 the spread in favor was more impressive, namely 59 percent—39 percent. Such figures not merely reveal increased support, but suggest that this has spread from those in the higher income brackets to those in middle income brackets. Should such a volition be translated into reality the amount generated would be 20 times greater than the sum currently expended by the National Endowment for the Arts. Of course, no reference is made to the humanities, but the critical factor lies less in drawing boundaries—real or perceived—between the arts and humanities, than in the fact that not merely are citizens willing to support cultural activities but that already there has been an across the board increase in giving to cultural activities. In short, there is a genuine, proven, commitment on the part of the American public to the national cultural scene, of which the humanities are an integral part. The Bill under discussion (S. 1035) is a direct response in a formal manner to this public commitment, expressed by individuals from coast to coast.

It is highly desirable that there should be such a formal check-off for the channeling of this support for the arts and humanities. There are three very practical reasons for this. The first concerns human nature. Many of us receive solicitations of one sort or another, and regard the cause as worthy of our support. But how often have we not placed such requests on one side, pending the bringing together in one place of check book or money order, stamp, envelope, pen, and address of the appropriate organization? Secondly, given the geographical vastness of America, many people do not have the opportunity personally to attend cultural events which they would nevertheless like to support. They may listen to an opera on radio or watch a television program and, if asked whether they would make a donation for the pleasure they have received, would answer affirmatively. The purpose of the Bill is to provide such persons with a convenient vehicle for their charitiable impluse. Finally, although it has been estimated that, once fully implemented, the new legislation may result in some $6 billion being received by nonprofit organizations, it is well to keep this in perspective. A high proportion will be applied to religious organizations. In terms of support for the arts and humanities in 1981 this has been projected at $3.8 billion, of which 18.2 percent will derive from the corporate sector. It is very possible that the arts and humanities will receive little real benefits from the new legislation. This face alone throws into stark perspective the desirability of making a formal provision for support by individuals as is the goal of S. 1035.

Such a challenge to the arts and humanities comes at a time when, wherever we turn, there is an upswing of pride, enthusiasm, sense of accomplishment, and national pride in America. The successful launchings of the space shuttle, the research achievements recognized this year by the garnering of Nobel prizes in medicine, economics, physics, and chemistry by six Americans are but the most visible aspects of this collective mood. There is a shared sense of purpose between leaders, be they political or cultural, and the American citizenry. But there are tough decisions to be made by all Americans. There is the temptation to view options in polar terms, namely bread or roses, the arts or daycare centers, the humanities or foodstamps. Some would see the humanities as merely frivolous distractions from the harsh realities of everyday existence. This is to ignore the fact that the humanities may indeed on occasion entertain, but that their prime function is precisely to teach the citizenry and its leaders how to arrive at the best decisions and thus enhance their abilities to cope with adversity and to survive.

The Chinese civilization has the longest documented record of the world's civilizations, dating back to the Shang dynasty (c. 1523-1027 B.C.). The writings of Confucius, Lao-Tze, and Mencius, the foundation of Chinese education, precede the birth of Christ as to do the Five Classics and archeological evidence of that classical age of China which was represented by the Chou dynasty. The Great Wall of China dates from the third century B.C. The Han dynasty witnessed widespread use of the writing brush and paper and ink, the beginning of the manufacture of porcelain, editing of classic texts, and compilation of the first dictionary. And all this before the birth of Christ and yet the imprint remains as strong and irradicable today as it did in the first millenium. Can we permit the signature of American Civilization to be written any less permanently, in sand, easily blurred and scracely legible except for the immediate present, only to become victim of distortion and ultimate oblitera-

tion? Or shall we be the guardians of this young nation's past, the vigilant custodians of its present cultural manifestations which will be our legacy to future generations not only of Americans but to civilization?

HARVARD MEDICAL SCHOOL,
MASSACHUSETTS GENERAL HOSPITAL,
Boston, Mass., October 28, 1981.

Senator BOB PACKWOOD,
Washington, D.C.

DEAR SENATOR PACKWOOD: As a physician specializing in Sports Medicine and a member of the United States Olympic Council on Sports Medicine, I would like to express my support of Senate Bill S. 1595 and House Bill H.R. 4454 "United States Olympic Development Fund Checkoff Act of 1981".

I would recommend, however, that you *omit* the section dealing with control by the President's Council on Physical Fitness and Sports with respect to expenditure (H.R. 4454, page 3, line 17 through 23 and all of page 4 and S. 1595, page 3, line 15 to end). Instead of making the United Sates Olympic Committee dependent on the President's Council, a small group of appointed officials, I would recommend an audit and independent financial review to make sure that funds are being spent properly. Furthermore, putting the President's Council on Physical Fitness and Sports as the controlling organization over the Olympic Committee would conflict with the Amateur Sports Act of 1978.

Thank you for your consideration of my recommendations.

Very truly yours,

BERTRAM ZARINS, M.D.

U.S. SKI ASSOCIATION,
Washington, D.C., November 13, 1981.

Hon. ROBERT PACKWOOD,
Senate Office Building,
Washington, D.C.

DEAR SENATOR PACKWOOD: The United States Ski Association, which is a membership organization of individual skiers, and the national governing body for skiing, respectfully urges your co-sponsorship and active support for S. 1595, the proposed Olympic Fund Checkoff legislation, which would allow private individuals to donate funds through a checkoff provision on their income tax returns. These funds would be in addition to their tax liability, and no government expense will be necessitated.

The U.S. Olympic Team is a splendid example of the merit of athletic competition. These young people spend years in dedicated training to prepare them to compete in the name of their Country for the ultimate in athletic achievement. They give an enormous amount of personal commitment in their efforts to attain athletic excellence. The above-mentioned legislation would enable private citizens to conveniently provide the necessary financial support needed to assist the U.S. Olympic Team in maintaining needed training facilities and other related expenses.

Our Olympic athletes, including the U.S. Ski Team, have given much to the United States. We hope you will join us in our quest for this worthwhile method of obtaining private financing for the fine athletes who compete so selflessly for this Nation.

Very truly yours,

NANCY INGALSBEE,
Director of Public Affairs.

U.S. BASEBALL FEDERATION,
Greenville, Ill., November 9, 1981

Senator BOB PACKWOOD,
1321 Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR PACKWOOD: I am writing to you to express a special concern I have as president of the United States Baseball Federation concerning Senate Bill S. 1595 entitled, "The United States Olympic Development Fund Checkoff Act of 1981" which has been introduced by Senators Inouye and Stevens.

It has been my personal privilege to act as the president of the United States Baseball Federal since congress passed the 1978 Amateur Sports Act, Which gave to

the United States Olympic Committee the right to govern all the amateur athletics in our country. I have been amazed at the increased services that have been provided by the USOC during this period of time, and I know I can speak strongly for the sport of baseball in reporting the actions of the USOC have been greatly intrumental in strengthening amateur baseball in the U.S.A., as well as around the world. Because of the increased finances which have come to the USOC, they have been able to turn around and give more money back to us to use in the development of our sport.

Let me cite two examples that are the direct results of the USOC assistance to amateur baseball.

1. This past summer in the Intercontinental Cup Games in Edmonton, Alberta, Canada the U.S.A. baseball team defeated the Cuban National Baseball Team in the finals of the eight nation tournament. This is the first time that Cuba has failed to win an international tournament in which they have competed since 1972. The increased improvement and development of our team this past summer was very closely tied into funding provided for us in part by the USOC. This very outstanding event for our country would not have occurred without their help.

2. The U.S.A. has been able to take a very active leadership role in world baseball because of the financial assistance that the USOC has given us during the past four years to take an active participating role in the affairs of our organization. This started in 1978 and the International Association of Amateur Baseball immediately began to be positively influenced by the presence of at least three of our members at each of the international meetings.

This summer I was honored to be elected president of the International Association of Amateur Baseball and at the same time our Executive Director, Mr. Dick Case was given the chairmanship of our Youth Committee. Mr. Danny Litwhiler, our International Commissioner was added to the Technical Committee of AINBA, Mr. Hal Smeltzly was appointed the Administrative Assistant to the President of AINBA, and Mr. Rod Dedeaux was appointed to both the Olympic Committee and the Funding Committee of this organization. Five years ago there was only one person from our country involved in any way in the international association. Because of the U.S.A. being able to become more actively involved, baseball has now become a demonstration sport in the 1984 Olympic Games, and we are on the brink of seeing baseball become a fully accepted Olympic sport.

I have said all of the above to let you know that the USOC is very discreetly and wisely using the funds that are coming to them to assist amateur sports. Together we have just begun to scratch the surface of potential that our country can give, not only to the development and help of young people within our own country, but to the entire world through sports. I was a member of the USOC that took the very difficult, but necessary stand to boycott the Olympics in Moscow in 1980. While history is yet to show whether or not these actions were wise, at least we stood firm behind what we felt were the wishes of our president and our congress.

I hope that at this time you as a member of the Committee on Finance will work very hard to assist the USOC in this Senate Bill which could improvise some significant funds to assist amateur athletics in the years to come. Thanks for taking the time to hear my aguments and if other information could be provided, I would be happy to do so.

Sincerely,

ROBERT E. SMITH, *President.*

NATIONAL SOCIETY OF PROFESSIONAL ENGINEERS,
Washington, D.C., November 9, 1981.

Hon. BOB PACKWOOD,
Chairman, Committee on Finance, Subcommittee on Taxation and Debt Management, U.S. Senate, Washington, D.C.

DEAR SENATOR PACKWOOD: Testimony provided for the Subcommittee on Taxation and Debt Management on S. 1081 by Ms. Brenda R. Viehe-Naess quoted W. J. (Jack) McKee, Jr., of our staff as "being optimistic" about the future of the professional liability situation as it relates to engineers. The statement was included in an article which appeared in Building and Design magazine.

It should be noted that the statement reflected optimism in a comparative sense over a period of 11 years. It was simply a commentary on the fact that for the first time during that period of time coverage rates had not been increased and that the leveling off was certainly a positive fact.

Unfortunately, the situation did not remain stagnant. A few months later, when actuarial data from prior years had matured, several negatives became apparent.

First, the frequency of claims took a decided jump—that is the number of claims filed per year per 100 insured firms. At the same time, as might be expected, the severity of claims also rose substantially—that is the level of claimed indemnity per claim. Those two factors led to an increase in insurance rates for the 1981–82 year of approximately 8.1 percent across the board. Since the program is administered on a state by state basis (and in some instances regions within states) the level of increase varies. The highest rate increase was 15.4 percent (10 states). Eighteen states, including the District of Columbia, experienced no increase.

Conjecture would seem to support a contention that the economic state of the construction industry is probably the major cause of this most recent jump. The volatility of the development-construction business-industry would seem to portend even further increases as the pressures for "funding sources" continues to grow.

Our optimism, as the insurance rate, was based on recent past experience. As such it, too, is subject to redefinition. I ask that this letter be included in the Committee's hearing record on S. 1081.

Sincerely,

HERBERT G. KOOGLE, P.E.,
Legislative and Government Affairs Committee.

UNITED STATES ASSOCIATION FOR BLIND ATHLETES,
Macomb, Ill., November 18, 1981.

Senator BOB PACKWOOD,
1321 Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR PACKWOOD: I am writing to indicate my support for S. 1595; at least for the concept of funding support that it would establish for amateur athletic programs within the jurisdiction of the United States Olympic Committee and the various National Governing Bodies.

However, I believe strongly that Section 3(c) needs to be modified, not only to reflect that these funds should be available for the program development of the handicapped in sports but also at what level. In this regard I would enlist your earnest adaption of the following amended change to Section 3(c)):

"The United States Olympic Committee shall . . . of amateur athletes, including the handicapped, in the United States. At least twenty percent of all generated funds shall be designated as Olympic Development funds for those National Organizations holding Group E status with the USOC. Such funds . . . limitation."

What better way to show the 35–37 million handicapped people of our great nation that the 1981 International Year of Disabled Persons has left a legacy equally as important as those developed for the able-bodied.

I know that you, the members of the Committee on Finance and all members of Congress want to be consistently fair to all Americans, including the handicapped. Thus I know I can count upon your support in making a good bill even stronger.

I shall look forward to your reply and support in the future.

Sincerely yours,

DAVID P. BEAVER, ED. D.,
Vice president and chairman, SDC.

THE NATIONAL COLLEGIATE ATHLETIC ASSOCIATION,
Mission, Kans., December 3, 1981.

Hon. ROBERT J. DOLE,
Senate Committee on Finance,
Washington, D.C.

DEAR BOB: This letter sets forth the comments of the National Collegiate Athletic Association (NCAA) on S. 1595, by which provision is proposed to be made for designation of income tax payments to the "United States Olympic Development Fund" (the Fund).

The NCAA is an association of more than 750 four-year colleges and universities dedicated to the promotion and administration of intercollegiate athletics for young men and women. The Association is a "Group B" member of the United States Olympic Committee (USOC)—the organization designated by the bill as the recipient of the proposed fund.

We believe that the Senate would be ill-advised to pass S. 1595 under present circumstances. Specifically, we believe that the USOC—an organization avowedly subject to the mandate of private international sports bodies which are located

abroad and are not accountable under U.S. law—is not a proper candidate for the valuable and preferential treatment proposed to be accorded under this bill.

The USOC has been chartered by the Congress principally to serve as the national coordinating authority for activity directly related to international sports competition, to represent the U.S. in relations with the International Olympic Committee (IOC), and to operate and control U.S. representation in the Olympic Games.[1] As I believe you know the IOC is a private body of individuals, who elect their own successors and who are not responsible to any government or international political entity for their actions. The USOC is recognized by the IOC as the IOC's National Olympic Committee in the United States. By virtue of its acceptance of such recognition, the USOC has expressly subjected itself to the provisions of the IOC "Olympic Charter," which in pertinent part provides that the "IOC is the final authority on all questions concerning the Olympic Movement."

Internal voting control over the USOC's affairs is held by the USOC's "Group A" members, which consist of the U.S. members ("national governing bodies") of the various private international sports federations, headquartered abroad. These federations control the various sports on the calendars of the Olympic and Pan American Games. On a sport-by-sport basis, the relationship between the U.S. national governing bodies and their respective international sports federations is not materially different from the relationship between the USOC and the IOC; that is, each national governing body accepts the supreme authority of its national federation.

Just as it recognizes one National Olympic Committee for each country, the IOC recognizes one international sports federation for each sport; the international federations, like the National Olympic Committees, each must accept the IOC's "supremacy" on all matters relating to the Olympic Movement.

IOC control over the USOC's activities is thus assured by two distinct but related means: First, the USOC as an IOC-recognized National Olympic Committee must accept IOC supremacy; second, voting control in the USOC is held by the various U.S. national governing bodies which in turn are members of the several IOC-recognized international federations. In this respect, the USOC is no different from all other National Olympic Committees around the world: All are subject to the IOC's "supreme" control.

For practical purposes, the IOC thus enjoys a de facto monopoly over the ogranizational instrumentalities of international amateur sport. And in the same practical terms, this monopoly extends not only to the Olympic Games and national qualifying events therefor, but to all international amateur athletic competition. The pervasiveness of the IOC's monopoly exists, in the last analysis, because of the popularity of the Olympic Games and the IOC's power to declare athletes eligible or ineligible to compete therein: Since aspirants to the Games do not wish to risk their eligiblity to compete, they are forced to accept the "international order" of sport control through the IOC-recognized National Olympic Committees, international federations and national governing bodies. Under this structure, these bodies can, and do, control virtually all competition in which athletes representing more than one nation are involved.[2] Properly understood, therefore, the IOC's monopoly over the "Olympic Movement" means a monopoly over all international events.

This state of affairs has been a source of major controversy in this country for many years. The situation was characterized in 1974 report of the Senate Committee on Commerce as follows:

". . . [T]he [national governing bodies] are not responsive to public criticism, because their source of authority and power lies in their recognition by private international organizations, which are beyond the influence of the American people and the Congress." S.REP 93-850 (93rd Cong. 2d. Sess.), May 15, 1974.

In 1978, following comprehensive study of the matter by a Presidential commission, the Congress finally determined to take action in the matter and passed the Amateur Sports Act of 1978. The effect of the Act was to rewrite the USOC's Congressional charter in order to define in more specific terms the powers of the USOC in this country and to place substantial limitations upon the structure and rights of the USOC's controlling members—the national governing bodies. The ultimate method contemplated by the Act for enforcement of its terms was manda-

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[1] The USOC is also given similar responsibilities or powers with reference to the Pan American Games.

[2] A recent example of the reluctance of athletes to challenge the international "order" can be found in the controversy concerning prize money in the New York Marathon. In general, long-distance runners may not, under the rules of the international federation for track and field, accept prize money. Those participants in the marathon who aspired to the 1984 Olympic Games were careful not to admit the receipt of prize money, just as the representatives of the national governing body organizing the event would not acknowledge the giving of such prizes.

tory and binding arbitration under the auspices of the American Arbitration Association.

To date, there has occurred only one arbitration proceeding of the type contemplated by the Act—the 1978 arbitration in which the United States Wrestling Federation (USWF) sought to replace the Wrestling Division of the AAU (WD/AAU) as the national governing body for the sport of wrestling, on the grounds that the USWF was better qualified under the USOC-defined standards to act as the national governing body than was the WD/AAU. Following a protracted and expensive arbitration proceeding before three independent arbitrators, the USWF won a unanimous arbitration award declaring its eligibility to become the national governing body in wrestling, in place of the incumbent WD/AAU. The award was subsequently confirmed in the Federal courts.

To date, the WD/AAU (the arbitration loser) and the USOC (the creator of the arbitration procedures and standards), hiding behind the "supremacy" of the IOC charter and the International Wrestling Federation, have succeeded in totally frustrating the arbitrators' award. Indeed, the IOC through its counselor has not taken the formal position that the Amateur Sports Act of 1978—which clearly contemplates final determination through arbitration in this country of the right to act as a national governing body—is in violation of the "supremacy clause" of the IOC charter, and must be changed to acknowledge the IOC's supremacy.

In short, the Congress and and the American people have been told once again (through the sport of wrestling) that private sports bodies abroad will determine how the U.S. is to be represented in the international sports order, rather than our own national institutions. For its part, the USOC—controlled as it is by the IOC and by the United States agents of the IOC-recognized international federations—has made no more than a cosmetic effort to stand up to this subversion of Congressional will.

Against this backdrop, it is remarkable that the USOC would seek from the Congress a treatment for its fund-raising activities enjoyed by no other "charitable" undertaking in the United States. One would ordinarily think that a prerequisite to use of the Federal government as a fiscal agent and fund-raiser might properly be a willingness to recognize the preeminance of the Federally mandated methods for determination of the structure of the enterprise for which such Federal assistance is sought. Not so, apparently, in the case of the USOC.

We also question whether, even in the specific context of amateur athletic activities, Federal fiscal support for "elite" athletes is appropriate at a time when funds for basic physical education and recreation activities—to be participated in by literally millions of young people—are becoming increasingly unavailable. If the Congress truly wishes to assist amateur athletics and recreation through the tax check off method, then we suggest that the American people might be better served by a program facilitating contributions to our nation's primary and secondary schools—which today are being forced radically to curtail their sports programs due to lack of available funds.

We thus urge and the members of your committee to reject this ill-advised piece of proposed legislation. If the Congress desires to assist amateur sports through such a funding device, then careful safeguards should be drawn to make certain that the money generated is used for the benefit of the nation's young prospective competitors (boys and girls), as opposed to internationally oriented and internationally controlled organizations which are primarily concerned with the elite athlete.

We request that a copy of this letter be included in the record of hearings on S. 1595.

Cordially yours,

WALTER BYERS.

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